

# Indonesia-Australia Partnership on Food Security in the Red Meat and Cattle Sector Advisory and Support Group (ASG)

Partnership Annual Report  
July 2016 – June 2017

July 2017



When you  
think with a  
global mind  
problems  
get smaller

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# Abbreviations

|                |  |
|----------------|--|
| <b>ASG</b>     | Advisory and Support Group                     |
| <b>AAI</b>     | Australia Awards Indonesia                     |
| <b>AUD</b>     | Australian Dollar                              |
| <b>BKPM</b>    | Indonesia's Investment Coordinating Board      |
| <b>DAWR</b>    | Department of Agriculture and Water Resources  |
| <b>DFAT</b>    | Department of Foreign Affairs and Trade        |
| <b>GESI</b>    | Gender and Social Inclusion                    |
| <b>GoA</b>     | Government of Australia                        |
| <b>Gol</b>     | Government of Indonesia                        |
| <b>IACCB</b>   | Indonesia Australia Commercial Cattle Breeding |
| <b>KEQ</b>     | Key Evaluation Question                        |
| <b>M&amp;E</b> | Monitoring and Evaluation                      |
| <b>NIAPP</b>   | NTCA Indonesia-Australia Pastoral Program      |
| <b>SOP</b>     | Standard Operating Procedures                  |
| <b>TSP</b>     | Technical Support Pool                         |

# 1. Introduction

This Annual Report outlines the progress of activities and expenditure under the Indonesia-Australia Partnership on Food Security in the Red Meat and Cattle Sector (the Partnership) for the period of July 2016 – December 2017. The report would normally assess progress against the Annual Plan. However, in the absence of an Annual Plan for July 2016 – June 2017, this report will raise any issues requiring attention and briefly summarise significant activities undertaken in the reporting period. This report will also review key priorities for January – June 2017 outlined in the last Progress Report (January 2017).

## 1.1. Background

The Indonesia - Australia Partnership on Food Security in the Red Meat and Cattle Sector (the Partnership) is a jointly agreed heads of government initiative underpinned by an AUD 60 million fund provided by the Australian Government over 10 years to 2024. It brings together key decision makers, from government and industry, to benefit both countries through strengthening people-to-people, government-to-government and industry-to-industry relationships.

It aims to achieve this by developing joint competitive advantages along the Indonesian and Australian cattle and beef sector supply chain, to foster enduring bilateral relations; by promoting a stable trade and investment environment within Indonesia; and by promoting and enhancing the commercial complementarities of our industries.

There are four broad objectives of the Partnership:

1. Underpinning Indonesia's food security by improving the long-term sustainability, productivity and competitiveness of Indonesia's cattle sector
2. Strengthening Indonesia-Australia bilateral business, investment and trade ties, and supporting closer engagement with the red meat and cattle sector
3. Supporting the bilateral exchange of expertise, capacity building and technical assistance related to the red meat and cattle sector
4. Building and improving understanding and the effectiveness and efficiency of cooperation between parties by establishing regular meetings between governments and the red meat and cattle sector from both Indonesia and Australia

**Annex 1** contains key events that lead to the development of the Partnership, and key activities and policy changes to date. This table will be continually updated and included in each progress report.

The Partnership is co-chaired by Australian (Department of Agriculture and Water Resources) and Indonesian (Investment Coordinating Board - BKPM) representatives, and is supported by Partnership secretariats in both agencies. Since July 2016, the Advisory and Support Group (ASG) has provided support to the Partnership.

The role of the ASG is to provide administrative support to BKPM and the Department of Agriculture and Water Resources, access to high quality and timely technical expertise, and to assist in the

development of a monitoring and evaluation (M&E) framework to review and communicate the Partnership's progress against agreed priorities and milestones.

The ASG is contracted by the Australian Department of Foreign Affairs and Trade (DFAT), but maintains a strong relationship with both the Australian and Indonesian secretariats (Department of Agriculture and Water Resources and BKPM (via the Red Meat and Cattle Partnership Manager Jakarta Post), and works through the secretariats to communicate with Partnership members. Unless specifically tasked, the ASG has limited direct communication with Partnership members.

Strategic and policy related decision making for the Partnership is the responsibility of the Partnership members, Co-Chairs and the secretariat (BKPM and Department of Agriculture and Water Resources). The ASG may provide input to strategic and policy related decision making, via the contracting and management of relevant expertise.

## 1.2. Program Framework

The Partnership's Strategic Framework defines the purpose of the Partnership as follows:

*To synergise Australian and Indonesian strengths and potential in order to develop the Indonesian cattle sector and improve joint competitiveness and prospects for long term investment and trade between Indonesia and Australia as part of a globally competitive supply chain in the red meat and cattle sector.*

The long-term goal<sup>1</sup> of the program is:

*To develop a prosperous Indonesian and Australian red meat and cattle industry built on competitive advantage, strong relationships across the supply chain and mutually beneficial investment and innovation.*

Progress towards this goal will be measured by progress towards four short term (3-5 years) and four medium term (5-8 years) outcomes:

### Short Term Outcomes

**Outcome 1** - Effective linkages exist between Indonesia and Australia at the levels of government, industry and enterprise in the sector. Effective Partnership linkages are ones in which both parties actively seek to collaborate to address issues of common interest.

**Outcome 2** - Those working in the sector have the skills needed to support a productive red meat and cattle industry. Training and other forms of capacity development outcomes include an increase in the knowledge, skills and experience of those working in the sector.

**Outcome 3** - The Indonesian and Australian governments have access to quality policy analysis to inform policy and investment decisions. Having access to quality policy analysis should lead to better policy formulation and investment decisions.

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<sup>1</sup> Based on a draft vision statement developed at the Joint Industry Visioning Workshop in Jakarta in July 2016.

**Outcome 4** - Potential advances in the supply chain are identified and where agreed tested, with lessons to inform policy, investment and production decisions. The intended outcome is that pilot programs and innovations to improve the supply chain can be implemented and scaled up to have a significant impact on beef production.

### Medium Term Outcomes

**Outcome 5** Productivity improvements in the red meat and cattle sector supply chain realised in Indonesia. Productivity improvements should begin to emerge through improvements in skills training, technology transfer and innovation.

**Outcome 6** Indonesian and Australian government policies achieve beneficial outcomes for industry in Indonesia and Australia. The Partnership arrangement should lead to greater trust and confidence in the development of mutually beneficial policies and regulations.

**Outcome 7** Improved investment environment, stable policies and prices, and inclusive economic growth. Improved productivity and better working relationships between government and industry in Indonesia and Australia will ultimately lead to a more stable and predictable investment environment. Gender equality, women's empowerment and disability inclusive policies should lead to more inclusive economic growth.

**Outcome 8** Resilient and effective Partnership between Australia and Indonesia in the red meat and cattle sector to address emerging issues. Demonstrating mutual benefits from improvements in the investment environment, policies and economic growth should encourage a long term and resilient Partnership in the sector.

Achieving these outcomes will be through a series of coordinated activities and outputs. These will be produced through projects which are delivered through the Partnership and its three working groups, representing the Partnerships priority areas:

1. Breeding
2. Processing
3. Transport/logistics.

The working groups are made up of industry Partnership members from both countries. The working groups are responsible for assisting in project proposal development and providing an advisory role during implementation. The projects include a number of outputs that will be evaluated periodically as part of progress reporting. These include:

- Training programs and skills development
- New systems and processes
- Operating guidelines and standards
- Policy advice and research
- Supply chain improvements
- Innovative production and breeding systems
- Partnership and working group meetings, work plans and strategies.

The ASG is responsible for monitoring and evaluating the performance of the partnership towards the attainment of its goal:

1. At the Project level – to determine how individual projects and programs are contributing to the Partnership's intended short term outcomes.

2. At the Partnership level – to determine the extent to which the Partnership, through its combined efforts, are progressing towards the achievement of its medium-term outcomes.

## 2. Relevance

The Partnership continues to be an important program for progressing the shared vision of a prosperous red meat and cattle industry built on competitive advantage, strong relationships across the supply chain and mutually beneficial investment and innovation.

The Partnership has increased in relevance to both Australia and Indonesia. From an industry perspective, the past 12 months through to June 2017 have been particularly difficult for Indonesian producers and processors as well as Australian exporters. Australian domestic beef and cattle prices have been historically high throughout 2016 and early 2017, a factor that directly impacts the price of export cattle and boxed beef. In addition, Indonesian Government policies that have made low cost Indian buffalo meat available in local markets have also significantly reduced demand for more expensive locally produced beef sourced from both local and imported Australian cattle. This in turn is having an adverse impact on large and small producers and processors in Indonesia.

Whilst there have been no major policy-driven impacts on the cattle and beef sector in 2017, impacts from previous policy decisions continue to restrict Indonesian domestic production, and exports of Australian beef and cattle.

The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) will be the most significant trade policy agreement in bilateral relations. It is due for completion late in 2017 and will impact trade terms for a range of agricultural products, including beef and cattle.

### 2.1. Contextual Analysis

#### Market and policy developments

Historically low cattle numbers in Australia, combined with post-drought restocking in northern Australia has created strong domestic demand, resulting in high domestic cattle prices in 2016/17. As a result, supply of feeder cattle for domestic and export markets has been tight and prices remain high.

In Indonesia, large quantities of relatively low-cost Indian buffalo meat (IBM) continues to be available in local markets. Current wet market prices for IBM in the Greater Jakarta area vary and range from IDR 80,000-110,000/kg, while fresh beef trades at a premium from IDR 115,000-120,000/kg<sup>2</sup>. The combination of high cattle prices in Australia and low beef prices in Indonesian markets has resulted in a reduction in trade of both live cattle and boxed beef from Australia into Indonesia.

Across all markets for live cattle from Australia, exports have fallen by 38% (comparing the 6-month period January to June 2017 with the 6-month period January to June 2016). Exports to Indonesia

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<sup>2</sup> Data from MLA LiveLink July 2017

followed this trend, being down by 29% for the same period. Annual projections for live exports to Indonesia are significantly down on 2016.

Australian boxed beef exports to Indonesia were historically high in 2016, but have declined significantly in 2017. Beef exports declined 33% over the first half of 2017 compared with the same period in 2016 and there is no expectation of significant recovery through the second half of 2017. In contrast, the decline in Australia's beef exports to all international markets was only 10% for the same periods. Furthermore, industry projections are that total beef exports will rise to reach 2016 levels by the end of 2017.

### Beef cattle self-sufficiency

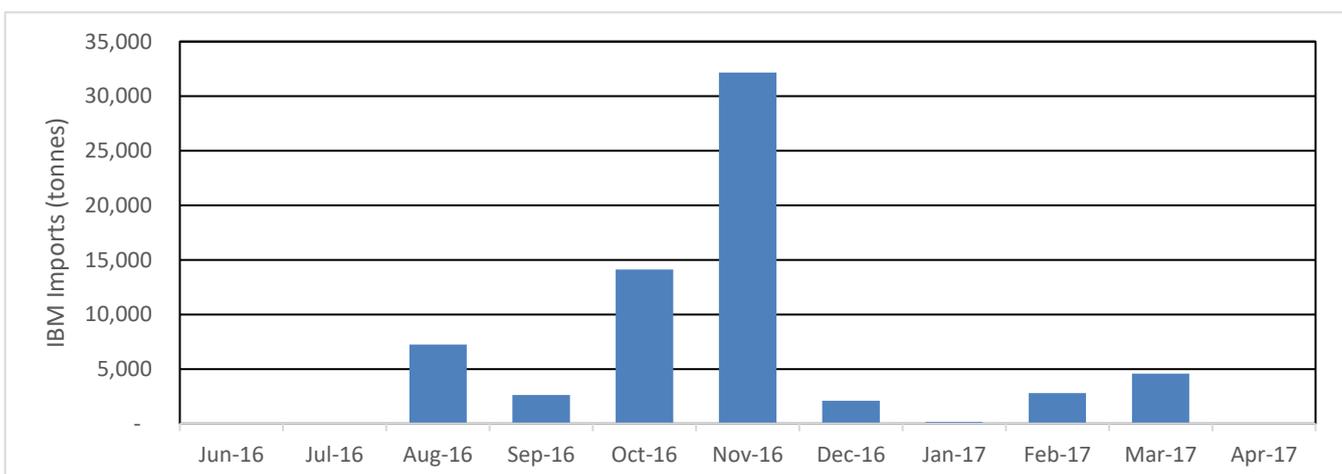
Indonesia has set self-sufficiency targets for 5 key staples — rice, maize, soybeans, sugar and beef. There has been notable success with rice production, which receives numerous types of government support through market price support, fertiliser subsidies and provision of agricultural machinery. In 2016, Indonesia did not import rice after 32 years of importing the commodity.

Achieving self-sufficiency in beef production has proved more challenging, with demand for 604,966 tonnes of beef expected in 2017 to significantly outstrip supply, anticipated to be 354,770 tonnes.

**Five Plus One Policy:** As one initiative to improve domestic production, the Government of Indonesia made amendments to the regulations governing importation of live cattle in late-2016, requiring breeding cattle to be imported with feeder cattle. The Ministerial Regulation No. 49/Permentan/PP. 440/10/2016 governing importation of large ruminants into Indonesia requires that one breeder be imported for every five feeder cattle for commercial end-users and one breeder for every 10 feeder cattle where smallholder cooperative enterprises are involved. The details of how this regulation will be implemented are currently being finalised.

### Reducing domestic beef prices

Concern about the high price of beef in Indonesia has led to the introduction of the two major policy initiatives over the past two years – the lifting of the restrictions of importation of IBM, and changes to specifications for importation of feeder cattle. Whilst the importation of IBM has undoubtedly led to IBM being available at prices 10 to 20% below quality beef prices, the changes to imported feeder cattle specifications (see below) have yet to have an impact on Indonesian domestic prices.



**Impact of Indian buffalo meat in Indonesia:** Whilst IBM offers consumers a source of beef meat at lower prices than Australian or locally produced beef, the impact on cattle producers and abattoirs has been significant. At least one abattoir had stopped processing cattle and most of the other abattoirs have reduced their throughput by 40-50%. Feedlots are also importing 40-50% less cattle from Australia, and local traders in Bali and Kupang are experiencing difficulties in selling feeder cattle.

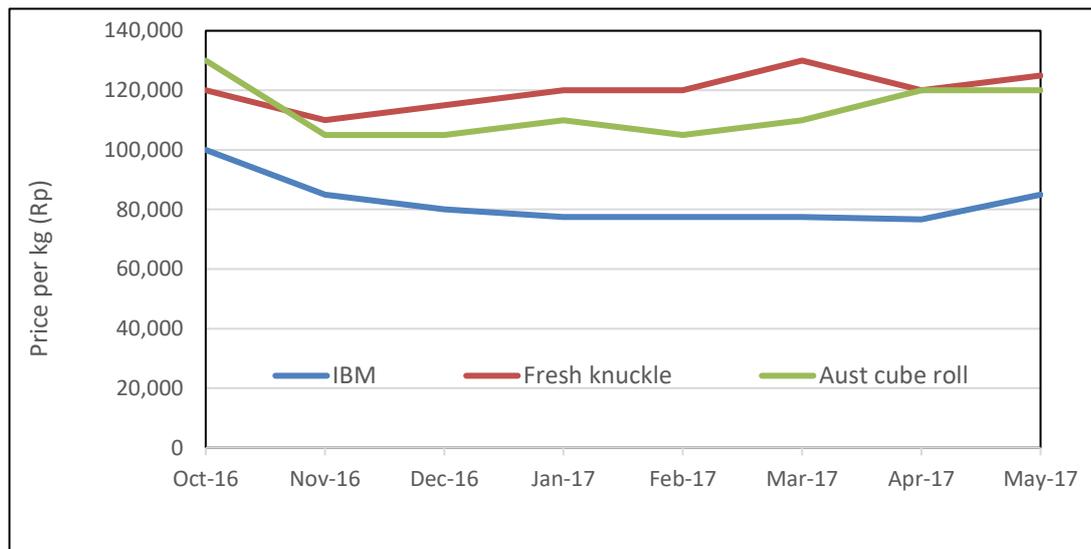


Figure 2: Volume of Indian buffalo meat imported into Indonesia since 2016

**Changes to regulations on Australian feeder cattle importation:** In February 2017, the Indonesian Government made changes to feeder cattle importation. The permit cycle was changed from four months to a rolling 12-month cycle, giving the industry more certainty about supply. In addition, the weight limit specifications for feeder cattle was increased from 350 to 450 kg in an attempt to reduce cost per kilogram. Unfortunately, high domestic cattle prices in Australia remain a key factor in determining export prices, so this policy had limited effects. Domestic prices peaked in May / June and some reduction in price can be expected later in 2017.

### 3. Progress towards End of Program Outcomes

Over the last 12 months there has been moderate progress towards most end of program outcomes, recognising that the first phase of the program has focussed on establishing engagement protocols; building a foundation for collaboration through working groups; implementing governance structures; and initiating early harvest projects.

To some extent progress during this period has been affected by the need to review existing projects to ensure they align with Partnership objectives prior to approval for extension or renewal. This decision was taken in November 2016 and it is expected that decisions regarding project extensions will be made in August 2017. This also corresponded with the development of a new Phase 2 strategy based on the recommendations of the first Progress Report (January 2017) and the development of a Joint Industry Strategy supported by the Partnership. These initiatives demonstrate an effort to better align the Partnership with its original intent to support and advise on policy formulation, and to support the industry in Indonesia and Australia to achieve mutually beneficial outcomes.

In November 2016, the ASG interviewed Partnership members and observers, and between January and July 2017 the ASG undertook evaluations on the following project activities:

- Processing – standard operating procedures and capacity development
- Skills Development Program – short term training
- Northern Territory Cattlemen's Association (NTCA) Indonesia-Australia Pastoral Program (NIAPP)
- East Kalimantan breeder support program
- Indonesia Australia Commercial Cattle Breeding (IACCB) Program – mid-term review

These partnership interviews and evaluations examined the contributions to each of the EOPOs. The findings are summarised below.

***Outcome 1: Effective linkages exist between Indonesia and Australia at the levels of government, industry and enterprise in the sector.***

As reported in the Progress Report (January 2017) discussions with Partners at the November Partnership meeting indicated that the relationships and dialogue between Australian and Indonesian counterparts was improving at the Partnership level, although many indicated that they would like more robust discussions on policy issues and opportunities for more engagement. Specifically, members would like policy issues, such as factors affecting price, supply chains, impact of cheap Indian buffalo meat, and the importation of breeders under the new regulations, discussed more openly.

The implementation of the ASG has opened up another communication channel in Indonesia that has assisted in improving relationships between Australian and Indonesian governments; and assisted in bringing partners together more frequently in Indonesia.

Factors impacting on partnership relationships and linkages include changes in membership, limited consultation and timely sharing of information on partnership projects (new and existing), deferring formal partnership meetings and delays in approving ongoing projects.

An evaluation of the training programs supported by the Partnership indicate that these initiatives are making good contributions to establishing linkages, particularly at the grass roots and industry levels. Activities such as the annual symposium for NIAPP and Skills Development Program, and alumni networks, provide mechanisms to forge long lasting relationships as well as raising awareness of industry issues in Australia and Indonesia.

Programs such as NIAPP appear to have had positive impacts on linkages and establishing relationships. The events created around training and course completion, as well as the reciprocal visits to Indonesia by Australian industry representatives, have created a mutual understanding of industry

issues. Longer term benefits will be realized through the long-term industry relationships that could potentially be developed once students get into more influential positions in industry and government. Australian industry representatives participating in the reciprocal visits were also impressed with the industry in Indonesia, alleviating many concerns around animal welfare issues and stimulating discussions of investment prospects.

The Skills Development Program have also established informal linkages between Indonesian Government agencies, academia, and industry and their Australian counterparts. There are opportunities to leverage from these relationships to build stronger and more formal government to government and industry to industry linkages.

***Outcome 2 - Those working in the sector have the skills needed to support a productive red meat and cattle industry.***

There have been many positive contributions towards skills development in the industry in Indonesia with evidence suggesting that those who participated in the training in Australia have been able to train others in Indonesia and use their skills to improve work practices. This was particularly evident in the processing sector. Almost all of the initial projects have had a capacity building component which has contributed to skills development in the industry. This has also contributed to positive perceptions of the Partnership and Australian industry. One area for improvement would be to ensure training remains relevant to the longer term needs of developing the commercial sector; and ensuring outcomes are aligned with the needs identified by the three working groups.

The NIAPP program has also supported technical skills development that will have increasing relevance as the breeding industry is developed in Indonesia. These include skills in animal health and welfare, breeding systems and cattle handling. The program continues to improve and respond to demand and addressing gaps in knowledge.

Of significant value is the development of soft skills and the inspiration it creates in participants to establish and lead a business in the industry. The program increases the number of graduates aspiring to work in the industry and increases the chances of employment in the Industry when compared to the overall graduating cohort<sup>3</sup>. If the program can create cattle industry entrepreneurs and investment in Indonesia then the outcomes will be significant, however, this is a long-term proposition. In the short-term, the aim should be to ensure graduates have opportunities in the industry through short-term placements, career counselling and internships. Scaling up breeding programs will require cattle managers who have had experience in handling and managing Australian cattle.

***Outcome 3 - The Indonesian and Australian governments have access to quality policy analysis to inform policy and investment decisions.***

There is a common recognition amongst all Partners that this is an area requiring greater focus. There has been limited policy analysis undertaken through the Partnership, although support has been provided for policy training through short courses in Australia. There are currently no funded projects specifically focused on policy analysis to support government policy formulation. The IACCB Program has potential to influence government policy but the results will not be evident for another 1-2 years.

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<sup>3</sup> This is based on the proportion of students (30% in one cohort) who changed their career aspirations to focus on the cattle sector. Although many do not go immediately into a career in the sector, most still retain the aspiration to work in the sector and will switch when the opportunity arises.

The Skills Development Program only make a minor contribution in this area. One objective should be to develop a core group of policy analysts in government who are well respected by key decision makers across government. It is clear that the senior policy course could have a significant impact if senior officials could also attend and interact with Australian policy makers. There is strong evidence that the courses are raising awareness of policy issues contributing to an increase in policy dialogue within government.

The NIAPP program raises awareness of significant policy issues amongst participants such as the use of natural breeding versus artificial insemination; and comparative trade advantages between Indonesia and Australia in terms of cattle fattening and breeding respectively. This can influence policy formulation if/when the alumni move into leadership positions.

***Outcome 4 - Potential advances in the supply chain are identified and where agreed tested, with lessons to inform policy, investment and production decisions.***

There has been limited progress towards this outcome in the reporting period. The IACCB Program is expected to make a significant contribution to improving local production and investment decisions. There are now 8 pilot programs in place with 8 different variations on cattle breeding models based around cattle under palm plantations (SISKA) and smallholder models. The more significant supply chain issues revolve around (1) providing a cheap source of feed (mainly cheap protein supplements in conjunction with grazing or local forage (cut and carry) and (2) cost effective and reliable inter-island cattle shipping. The next phase of the program will involve commercial viability assessments, including the impact of supply chains. These assessments will provide useful information for potential scale up, however, they are not expected to be available for at least another 18 months.

The “Development of Best Practice Guidelines for Improving Cattle Handling and Transportation Facilities at Dedicated Cattle Seaports” was not considered to make a useful contribution to this outcome by stakeholders. The final output was not evaluated during this period.

Skills Development Program and NIAPP program raise awareness of supply chain issues through the placements, training and reciprocal visits. This could be strengthened through a greater focus on supply chain issues during courses and exposure to facilities and services that make up the supply chain between Australia and Indonesia.

## 4. Program Implementation

### 4.1. Activities and Outputs

During the reporting period, nine projects were implemented, or were undergoing implementation, under the Partnership. Project summaries and current status is provided as **Annex 2**.

#### 1. Skills Development Program

The Partnership has sponsored a range of short courses to promote skills development in the Indonesian industry. In 2016-17, the Program ran one senior policy course, one junior policy course, two producer courses and three processor courses, which built the capacity of 92 Indonesian participants (26 female and 66 male) in their respective fields. Each course was delivered by an

Australian institution with significant sectoral experience. In all cases, training was highly valued by participants and all gained significant knowledge and skills.

The program had planned to hold additional senior and junior policy courses in March 2017. However, due to pending approval from the Partnership, these courses were postponed until further notice. It is expected that a decision will be made in the 6<sup>th</sup> Partnership meeting in August 2017.

Key findings from ASG evaluation of the program is provided as **Annex 3**.

## **2. NTCA Indonesia-Australia Pastoral Program (NIAPP)**

The final program under Stage 2 was conducted in the first half of 2016, with 20 Indonesian undergraduate students from 14 universities, across 11 Indonesian provinces taking placements at selected corporate and family run cattle stations across northern Australia.

In October 2016, the program organised the 2016 Alumni Symposium/Reciprocal Tour of Indonesia, with 12 host station representatives touring Indonesia with NTCA support staff. The joint alumni symposium with the Skills Development Program allowed alumni from the two programs to strengthen their networks and share their experiences. The reciprocal visit was considered to be a highly valuable component of the program for culture exchange, establishing industry to industry linkages and increasing knowledge of the supply chain in Indonesia for the live export industry.

Key findings from ASG evaluation of the program is provided as **Annex 4**.

## **3. Indonesia-Australia Commercial Cattle Breeding (IACCB) program**

The IACCB program was designed to support the Government of Indonesia's (GoI) long term objective to build its domestic cattle population in an effort to meet a growing local demand for beef. Due to land constraints, innovative approaches are required to expand cattle breeding in Indonesia to commercial levels.

The program is on track for meeting its targets set for 2017 and works closely with each partner, ensuring a strong focus on cost effective feed supply and maintenance of herd condition, and strengthening monitoring and evaluation to ensure the program is able to evaluate commercial viability.

There are now 8 pilots being implemented:

- Four pilots involving cattle integrated with palm oil plantations. Generally, this involves cattle grazing and breeding under palm with additional feed supplementation. In some cases, these involve semi-intensive approaches to maintain body weight.
- Three small holder pilots involving different forms of cooperative arrangements.
- Breedlot and intensive grazing model on open pasture (IACCB only provides technical assistance)

The program is starting to significantly improve its documentation and economic modelling for each project, with project briefs and financial projections established for each model. A mid-term review is being conducted in July 2017. Key findings will be presented at the 6<sup>th</sup> Partnership meeting.

## **4. Management of East Kalimantan Breeder Support Project**

The East Kalimantan project was designed as an emergency response to protect the welfare of 2078 imported Australian breeders (heifers) by the Provincial Government of East Kalimantan. A considerable amount of farmer training was provided through both formal and informal modes. This

included coordinating training events for the farmer groups, government officials and para-vets, and assist with the delivery of training events.

An ASG evaluation found that the program had successfully addressed the animal welfare and cattle management issues, with mortality and morbidity rates declining over the 12-month implementation period. The impact on productivity has been variable. Feeding management has improved, however none of the farmers interviewed weaned calves as required and artificial insemination (AI) is still a major issue, with extremely low pregnancy rates being achieved. Most farmers now want access to a bull so they can avoid the AI process.

Following the completion of the initial phase in May 2017, the program has been extended for nine months through to February 2018. This will allow the program to complete the assessment of economic viability of the small holder program and its cost-effectiveness.

### **5. Development of Standard Operating Procedures (SOPs) in Indonesian Abattoirs**

The program was completed in 2016. It aimed at assisting selected abattoirs to act as 'champions' of the industry by developing industry best practice on-plant SOPs. The program was designed as a follow up from the processor course under the Skills Development Program. It included follow up visits by TAFE Queensland South West trainers to the five Indonesian category two slaughter houses, to review their SOPs and provide further on-site training to the processor course alumni.

All slaughter houses visited showed a significant improvement in cleaning standards by the time of the final visit, but more attention to detail when conducting pre-operational inspections, recording findings and when cleaning was required. Hygienic processing procedures had also improved significantly.

Each operation has upgraded their SOPs. Most of them are now rolling out internal training to ensure that all staff are aware of and able to implement changes documented in the SOPs.

#### **Processing Working Group Projects**

ASG conducted an evaluation of the support activities conducted by the Processing Working Group and made recommendations regarding potential future support. Activities included training of Indonesian meat workers in Australia and technical support visits to Indonesian abattoirs by Australian experts. Support was provided by TAFE Queensland Southwest (TQSW). TQSW also submitted a concept note for additional support to the Indonesian industry. Whilst the program of activities to date was considered to be very successful, changing circumstances in the business environment required that the Working Group revisit its objectives. This was particularly relevant with respect to the objective of export readiness for Indonesian abattoirs at a time when domestic slaughter rates in Category 2 abattoirs have dropped sharply. The direction of future support will be determined following reconsideration of objectives by industry.

Key findings from this evaluation is provided as **Annex 5**.

### **6. Development of Best Practice Guidelines for Improving Cattle Handling and Transportation Facilities at Dedicated Cattle Seaports**

The project was designed as a desk review to collate a range of existing information and materials around cattle handling and transportation in Indonesia. The project was supposed to complete in December 2016. However, there was a discussion on whether the project team needs to hold additional consultations with the relevant Indonesian government officials to ensure the applicability of the guidelines for use by smallholder farmers.

It was decided that the guidelines will be finalised as is and translated into Bahasa Indonesia. ASG has not assessed the quality of the guidelines as it will not be finalised until the end of July 2017.

Related to these Guidelines, a rapid assessment of the Indonesian livestock carrier “Camara Nusantara I” for carriage of Australian cattle in Indonesia was conducted in January 2017. The rapid assessment concluded that the vessel would be suitable for transporting large-framed Brahmin cross cattle across Indonesia provided that minor modifications were made. Primary concerns were:

- the requirement for non-slip flooring on the decks
- the need to protect cattle from the many steel structural and other protrusions in alleyways, and
- the installation of a back-up fresh water supply mechanism.

These were not considered to be complex or expensive modifications and would improve the efficiency of transportation and welfare requirements for any class of cattle. There is an opportunity to include these modifications on the five additional vessels that are currently being constructed.

### **7. Feasibility Study of a Cattle Bonded Logistics Zone in Indonesia**

The purpose of this Study is to better inform the Indonesian government and the red meat and cattle sector of the costs, benefits and viability of establishing a bonded logistics zone for cattle production and processing. Information generated is also expected to provide an evidence base for policy making.

Following an open tender process, Pro and Associates was identified as the preferred tenderer and signed a contract with the Department of Agriculture and Water Resources at the end of June 2017. The team is currently organising a series of initial consultations with key stakeholders to reconfirm the scope of work and stakeholders. The project will run until June 2018.

### **8. Indonesia’s Beef Consumption and Preference Trends Survey**

The purpose of this activity is to better understand Indonesian consumer and preference of beef products including processed goods. The project will analyse various beef market segments, from high end products such as prime cuts, to low end products, such as offal. This information will allow for greater understanding of the entire beef product range in Indonesia, as well as within different sectors of the population including from food stalls, restaurants, markets, and supermarkets. The information gathered will improve the understanding of government and industry with respect to current and future consumer demand for both local and imported beef.

Following an open tender process, Ernst and Young Sweeney was identified as the preferred tenderer and signed a contract with the Department of Agriculture and Water Resources at the end of June 2017. The team is currently organising a series of initial consultations with key stakeholders to reconfirm the scope of work and stakeholders. The project will run until June 2018.

### **9. Indonesia’s Supply Chain and Logistics Study**

The purpose of this Study is to improve the efficiency of the cattle industry within Indonesia to help the government and industry players become more competitive through efficient handling and logistics along the supply chain. This will translate into improved profitability and animal welfare outcomes through faster transport times and better handling practices and facilities.

Following an open tender process, KPMG was identified as the preferred tenderer and signed a contract with the Department of Agriculture and Water Resources at the end of June 2017. The team is currently organising a series of initial consultations with key stakeholders to reconfirm the scope of work and stakeholders. The project will run until June 2018.

Table 1 below outlined the proportional contribution of current projects under the Partnership towards the Partnership outcomes.

**Table 1: Current projects under the Partnership listing their main output and financial contributions towards intended outcomes**

| Project   | Outputs and contributions to intended outcomes   | Financial Contribution |                   |                   |                   | Total Cost (AUD) |
|---|--|------------------------|-------------------|-------------------|-------------------|------------------|
|   |  | Outcome 1              | Outcome 2         | Outcome 3         | Outcome 4         |                  |
| 1. Development of SOPs in Indonesian Abattoirs (Jan – Dec 2016)                         | <ul style="list-style-type: none"> <li>Indonesian workers trained and operating guidelines developed</li> <li>New skills, guidelines and technology transfer improve work practices in Indonesia</li> </ul>  | \$35,000 (20%)         | \$140,000 (80%)   |                   |                   | \$175,000        |
| 2. Indonesia-Australia Commercial Cattle Breeding (IACCB) Program (Feb 2016 – Jan 2019) | <ul style="list-style-type: none"> <li>Commercial breeding programs piloted</li> <li>New skills, guidelines and technology from successful pilots encourages growth and investment in the cattle breeding industry</li> </ul>  |                        | \$1,814,212 (20%) | \$1,814,212 (20%) | \$5,422,367 (60%) | \$9,071,061      |
| 3. Management of East Kalimantan Breeder Support Project (Apr 2016 – Feb 2018)          | <ul style="list-style-type: none"> <li>Training in productivity and welfare of Australian breeder cattle imported to East Kalimantan.</li> <li>Guidelines and lessons documented.</li> <li>New skills and guidelines improve work practices, including animal welfare, in Indonesia</li> </ul> |                        | \$176,389 (20%)   |                   | \$176,389 (20%)   | \$881,944*       |

|  |  |                   |                   |                 |          |             |
|--|--|-------------------|-------------------|-----------------|----------|-------------|
| <p>4. Development of Best Practice Guidelines for Improving Cattle Handling and Transportation Facilities at Dedicated Cattle Seaports (Apr 2016 – Jul 2017)</p> | <ul style="list-style-type: none"> <li>• Training, skills development and best practice guidelines for cattle handling and transportation facilities in dedicated cattle seaports</li> <li>• New skills and guidelines improve work practices, including animal welfare, in Indonesia.</li> </ul>  |                   |                   |                 | \$79,000 | \$79,000    |
| <p>5. Skills Development Program (Jul 2014 – Jun 2017)</p>   | <ul style="list-style-type: none"> <li>• Training in Australia for industry workers in animal husbandry and cattle production, meat production and processing, and policy courses.</li> <li>• New skills and guidelines improve work practices in Indonesia</li> <li>• Policy analysis informs policy development in Indonesia and improves linkages between Indonesia and Australia</li> </ul>  | \$1,650,000 (30%) | \$3,300,000 (60%) | \$550,000 (10%) |          | \$5,500,000 |
| <p>6. NTCA Indonesia-Australia Pastoral Program (Jan 2014 – Dec 2016)</p>  | <ul style="list-style-type: none"> <li>• Training in animal husbandry, production and welfare issues across the supply chain between Australia and Indonesia.</li> <li>• Cross cultural relationships and linkages</li> <li>• New skills, knowledge and training improves work practices in Indonesia</li> <li>• Improved collaboration between industries in Australia and Indonesia</li> </ul> | \$935,160 (50%)   | \$935,160 (50%)   |                 |          | \$1,870,320 |

|   |   |                            |                            |                            |                            |                     |
|---|---|----------------------------|----------------------------|----------------------------|----------------------------|---------------------|
| 7. Feasibility Study of a Cattle Bonded Logistics Zone in Indonesia (Jun 2017 – Jun 2018) | <ul style="list-style-type: none"> <li>The purpose of this Study is to better inform the Indonesian government and the red meat and cattle sector of the costs, benefits and viability of establishing a bonded logistics zone for cattle production and processing.</li> </ul>       |                            |                            | \$175,000 (100%)           |                            | \$175,000           |
| 8. Indonesia's Beef Consumption and Preference Trends Survey (Jun 2017 – Jun 2018)        | <ul style="list-style-type: none"> <li>The purpose of this activity is to better understand Indonesian consumer and preference of beef products including processed goods.</li> </ul>   |                            |                            | \$350,000 (100%)           |                            | \$350,000           |
| 9. Indonesia's Supply Chain and Logistic Study (Jun 2017 – Jun 2018)                      | <ul style="list-style-type: none"> <li>The purpose of this Study is to improve the efficiency of the cattle industry within Indonesia to help the government and industry players become more competitive through efficient handling and logistics along the supply chain.</li> </ul> |                            |                            | \$300,000 (100%)           |                            | \$300,000           |
| <b>Total Cost Contribution to Outcome</b>   |   | <b>\$2,620,160 (14.7%)</b> | <b>\$6,365,761 (35.7%)</b> | <b>\$3,189,212 (17.8%)</b> | <b>\$5,677,756 (31.8%)</b> | <b>\$17,852,889</b> |

\*The Management of East Kalimantan Breeder Support Project is only supporting smallholders, which is not aligned to the Partnership's focus on the commercialisation of cattle breeding.

In addition, the Partnership also supported the following activities. Table 2 outlines the contribution of each activity toward the Partnership outcomes.

- Visioning and strategy workshop and development
- The 5<sup>th</sup> Partnership meeting and Working Group meetings
- Communications
- Gender and Social Inclusion (GESI) Strategy
- M&E Framework

**Table 2: Other activities supported by the Partnership**

| Activity  | Outputs and contributions to intended outcomes   | Financial Contribution |                        |                        |                        | Total Cost (AUD) |
|---|--|------------------------|------------------------|------------------------|------------------------|------------------|
|   |  | Outcome 1              | Outcome 2              | Outcome 3              | Outcome 4              |                  |
| 1. Visioning workshop and development                         | <ul style="list-style-type: none"> <li>Joint Indonesia-Australia Industry Vision developed</li> <li>Government, industry and enterprises actively collaborate</li> </ul> | \$120,500 (100%)       |                        |                        |                        | \$120,500        |
| 2. The 5 <sup>th</sup> Partnership and Working Group meetings | <ul style="list-style-type: none"> <li>New concepts/proposals discussed</li> <li>Government, industry and enterprises actively collaborate</li> </ul>                    | \$55,483 (100%)        |                        |                        |                        | \$55,483         |
| 3. Communications – newsletter                                | <ul style="list-style-type: none"> <li>Monthly updates and newsletters disseminated.</li> <li>Government, industry and enterprises actively collaborate</li> </ul>       | \$40,587 (100%)        |                        |                        |                        | \$40,587         |
| 4. GESI Strategy  | <ul style="list-style-type: none"> <li>GESI Strategy developed</li> </ul>  | √                      | √                      | √                      | √                      | -                |
| 5. M&E Framework  | <ul style="list-style-type: none"> <li>M&amp;E Framework drafted</li> </ul>  | \$5,733 (25%)          | \$5,733 (25%)          | \$5,733 (25%)          | \$5,733 (25%)          | \$22,932         |
| <b>Total Cost Contribution to Outcome</b>                     |  | <b>\$222,303 (93%)</b> | <b>\$5,733 (2.33%)</b> | <b>\$5,733 (2.33%)</b> | <b>\$5,733 (2.33%)</b> | <b>\$239,502</b> |

## 4.2. Key Inputs

Key inputs to the program were in the form of funding for individual projects under the Partnership. The Australian Department of Agriculture and Water Resources and DFAT provided the bulk of funds to finance project activities. The Partnership secretariat, supported by ASG, also organised the 5<sup>th</sup> Partnership and Working Group meetings, facilitated the development of Joint Industry Strategy and developed relevant communication materials. ASG also supported the development of GESI Strategy and M&E Framework.

## 5. Management and Operational Systems

### 5.1. Operational and Technical Assistance Management

During the reporting period, there were three Short Term Advisers (STAs) engaged by ASG to provide technical support to the Partnership. The number of input days used for these advisers are provided in Table 3 below.

**Table 3: Number of Input Days Used by ASG Short-Term Advisers (July 2016 – June 2017)**

| Name              | Position/Role   | Input Days |
|-------------------|---|------------|
| Dr Ben Mullen     | Strategic Adviser   | 35.3       |
| Mr David Goodwins | M&E Adviser   | 58.3       |
| Dr Scott Waldron  | Develop policy dialogue discussion paper and co-facilitate the policy dialogue session at the 5 <sup>th</sup> Partnership meeting | 14         |

Dr Ben Mullen provided over 35 days of inputs across the project year, covering the following aspects of the Partnership:

- Assisted Dr Scott Waldron in the development of policy dialogue paper, specifically drawing out policy learning
- Provided inputs into the development of project establishment guidelines
- Assistance with implementation of the 5<sup>th</sup> Partnership Meeting
- Review of the Processing Sector program and options for future assistance
- Preparation of a concept note on provision of support in managing Australian breeder cattle
- Preparation of tender documents for three small Partnership projects
- Review of the East Kalimantan breeder support program and options for future support
- Drafting of the ASG Reports and Annual Plan.

Mr David Goodwins provided over 58 input days across the project year, covering the following aspects of the Partnership:

- Led the development of Partnership M&E Framework
- Conducted a review of the Skills Development Program, Development of SOP in Indonesian abattoirs as well as the East Kalimantan breeder support program and options for future support
- Reviewed progress reports from all projects to gain an understanding of their approach to M&E.

Dr Scott Waldron, as Technical Support Pool (TSP) adviser, developed a policy dialogue paper and co-facilitate the policy dialogue session at the 5<sup>th</sup> Partnership meeting.

## 5.2. Communication and Reporting

To date, the Partnership members and key stakeholders have been informed of activities and achievements through monthly updates, newsletters and the Partnership webpage. However, as projects under the Partnership have started producing early outcomes, the Partnership members felt the need to better communicate these outcomes to all stakeholders to leverage the Partnership's profile.

In response to this, the Partnership secretariat and ASG have put together a proposal to develop a Partnership's Communication Strategy. This Strategy will provide a framework for communicating the Partnership outcomes to its internal and external stakeholders in Indonesia and Australia. This Strategy will also become a key reference point for all projects under the Partnership on communicating its achievements throughout the life of the Partnership. However, the development of the Strategy has been postponed as the Partnership is currently reviewing its approach to implementation and developing an Implementation Strategy for the second phase of the Partnership (2017 – 2020). As part of this Implementation Strategy, a Communication Strategy will be developed and communications activities be implemented accordingly.

## 6. Challenges and Lessons Learnt

Challenges and lessons learnt also form components of key risks to the program. For this reason, there is considerable overlap between challenges / lessons learnt and risk analysis.

### The commercial environment

Australian cattle prices have been at historic highs over the past 12 months. This has caused major challenges for all stakeholders, the live export in particular. For example, Wellard, Australia's largest cattle exporter has struggled to buy cattle at prices that are economical for its international buyers, primarily in Indonesia and Vietnam. At the same time, feedlots in Indonesia have dramatically reduced their throughput in response to reduced demand from local abattoirs. Many commercial operations both in Indonesia and Australia are running at a loss as a result.

The Partnership has limited options to support the industry to adapt to this challenging commercial environment. As a result, there is the potential for industry stakeholders to reduce their commitment to the Partnership as they concentrate on more immediate issues. This presents a significant challenge to the Partnership that can be addressed: firstly, by acknowledging the issue and understanding that not all stakeholders will be in a position to engage as they might like to until the commercial environment improves; and secondly, by ensuring that current environment remains highly relevant for targeted policy and commercial research, sharing of ideas and building of networks and linkages that support stakeholders to secure the industry's long-term prosperity.

These commercial pressures have also highlighted the divergent viewpoints that exist among stakeholder groups in relation to key aspects of government policy and Partnership activities. In general, commercial stakeholders identify different priorities and modalities as options to addressing industry constraints, in comparison to government stakeholders. A more effective communications strategy should go some way to explaining viewpoints and better aligning opinions.

**Partnership response:** The Partnership has just commenced three studies to examine issues that support the industry during these challenging times. This includes the beef preferences and

consumption trends study, the study examining the potential for developing a bonded zone to reduce overhead costs of production and the supply chain and logistics study.

The Partnership's flagship project, IACCB, is addressing the major issue of identifying options for commercial cattle breeding in Indonesia. This project offers long term solutions to Indonesia's goal of self-sufficiency in cattle and red meat production.

### **Partnership projects do not contribute significantly to intended Partnership outcomes**

Early projects approved by the Partnership did not go through a complete design process so that a rapid start-up could be achieved. As a result, whilst all projects were valuable in their own right, some have not contributed significantly to meeting Partnership objectives. This approach was effective in gaining momentum, but it is now appropriate to ensure that future projects are more rigorously assessed for their alignment with Partnership objectives and address specific problems identified by the industry.

**ASG response:** The ASG has applied considerable rigour to evaluation of existing projects so that lessons learned can be applied to future activities. Further, we recommend: a more collaborative approach involving both Indonesian and Australian stakeholders when developing future project concepts; improvements in reporting to highlight short term gains; improving project templates and designs so they are focussed on intended Partnership outcomes; improved communication to Partnership members and the industry; and closer monitoring of results to ensure projects focus on their original intent.

### **Stakeholder disengagement due to inability to influence Partnership decisions**

This issue has arisen for a combination of reasons, including:

- unequal information flows to industry partners and sections of Indonesian Government;
- a lack of continuity in addressing emerging issues due to the long gaps between meetings;
- a limited opportunity to be involved in program design and evaluations; and
- a perception that many activity negotiations are one-sided in nature.

**ASG response:** Unequal information flows will be addressed through the Communications Strategy being developed through the ASG. The strategy will address both internal and external communications, as well as timing of information dissemination to Partnership members. Continued attention will be given to ensuring communications products are provided in both Bahasa Indonesia and English languages.

The ASG has promoted the concept of intersessional meetings for each Sectoral Working Group to enable issues to be advanced between formal Partnership meetings. ASG can provide comprehensive support to these intersessional meetings if required.

The ASG has developed standard formats for concept notes and project proposals that facilitated the tabling of ideas. In addition, ASG can provide technical support in the development of these documents. Criteria for project eligibility are also being developed to ensure that submissions are closely aligned to Partnership objectives.

### **Matching activity implementation with spending imperatives**

The Partnership's preference to remain a flexible and targeted delivery mechanism is constrained somewhat by the reality of budget allocation pressures. In general, funds are required to be allocated ahead of approvals. This can result in a reduction in program effectiveness.

**ASG response:** This issue could be alleviated by identifying a funding mechanism that allows Australian departments to allocate funds and manage subsequent initiatives through ASG, thereby supporting the timely release of funds based on outputs/outcomes achieved. This would also support *value for money* outcomes.

### **Compliance with Indonesian regulation on Foreign Grant Management**

In February 2016, the Australian Government (DFAT) signed a Subsidiary Arrangement (SA) with the Indonesian Government (Indonesia's Investment Coordination Body/BKPM and Ministry of Agriculture/MoA) for the Official Development Assistance (ODA) fund of the Partnership (up to \$50million). The grant now needs to be registered by an Indonesian Government signatory to ensure that it is recorded as national government revenue. BKPM and MoA have held a series of meetings to discuss which agency will be best placed to register the SA, but they have not yet reached agreement. BKPM will organise an inter-agency meeting with BAPPENAS and Ministry of Finance (MoF) to resolve this issue.

**ASG response:** ASG is supporting the Partnership secretariat in organising these follow up meetings and preparing relevant meeting papers.

## **7. Risk Management and Mitigation**

A risk matrix is presented in **Annex 6**, which has been based on stakeholder consultations and the current status of program activities.

The major risks and proposed mitigation strategies are as follows:

**Risk 1: The range of activities and projects being supported do not make significant contributions to intended Partnership outcomes and the commitment of key stakeholders to the Partnership declines.**

This is currently a significant issue amongst Partnership members. This risk can be addressed through the development of a complete program design that links activities to Partnership goals; a more collaborative approach when developing project concepts; improvements in reporting to highlight short term gains; improving project templates and designs so they are focussed on intended Partnership outcomes; improved communication to Partnership members and the industry; and by closely monitoring results to ensure projects focus on their original intent.

**Risk 2: Outputs and results do not meet the needs of the Indonesian Government and industry, reinforcing the perception that the Australian Government is driving the program.**

This perception was raised during numerous discussions with both Australian and Indonesian Partners and has resulted in a degree of Indonesian disengagement. The issue has been exacerbated by

unequal information flows<sup>4</sup>. This risk is being addressed through increased engagement with Indonesian partners to ensure greater ownership of projects, particularly during the development of concepts, project designs and in working groups. It could also be addressed through the direct involvement of the Indonesian Government in project evaluations and case studies.

**Risk 3: The Partnership involves four distinct stakeholder groups, each of which has contrasting opinions regarding what should be done to achieve the Partnership's objectives.**

Partnership stakeholder groups include Australian and Indonesian industry and Australian and Indonesian governments. Differences of opinions regarding actions to achieve Partnership objectives can be significant and are difficult to reconcile through the current communication arrangements, which are dominated by large, formal annual meetings.

More open and regular communication between members in smaller groups will be encouraged in the coming period. Members will also be encouraged to discuss differences at the Partnership meetings, rather than simply agreeing to avoid uncomfortable negotiations.

**Risk 4: There is a tension between program effectiveness and spending imperatives.**

This issue is linked to delays in decision-making within the Partnership, particularly when funds are required to be allocated ahead of approvals. This results in a greater pressure to spend the approved annual allocation towards the end of financial year, which often conflicts with the need for more checks and balances throughout the year (e.g. through milestone payments) to ensure program effectiveness.

This issue could be alleviated by identifying a funding mechanism that allows Australian departments to allocate funds through ASG, which would then manage the payments to project implementers when approvals are negotiated or milestones achieved.

## 8. Evaluative Summary

### 8.1. Relevance

The relevance of the Partnership to the industry and both government was considered to have increased in significance over the last 12 months. The issues around pricing, importation of cheaper Indian buffalo meat in Indonesia, and the regulation on importation of breeder cattle have created an uncertain and challenging environment for the existing industry and investors.

### 8.2. Effectiveness

Effectiveness is defined as the ability of the Partnership to achieve its intended outcomes using its available resources. Over the last 12 months, it has had moderate success at progressing outcomes. The period has involved a number of evaluations and consultations to support decisions about the

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<sup>4</sup> Generally, more information flows to Australian Partnership members

future direction of the Partnership. The Partnership continues to improve its effectiveness through a greater alignment of activities and investments with its strategic outcomes. The Phase 2 strategy should have a more positive impact on effectiveness over the next 12 months if implemented.

### **8.3. Efficiency**

The implementation of the ASG has led to some improvements in efficiency over the last 6 months. Prior to this there was some duplication of effort as functions were handed over from the Secretariat in the Department of Agriculture and Water Resources and DFAT. The gradual transition of services to the ASG in Jakarta, through access to Partnership funds and the ability to provide procurement and payment services, should see further improvements in operational efficiency over the next 12 months. This will correspond with a revised operations manual and communication protocol.

### **8.4. Monitoring and Evaluation (M&E)**

An M&E framework has been reviewed (by DFAT's M&E Adviser in Jakarta) and approved, and is being progressively implemented as new programs are implemented. The M&E Framework will be reviewed annually (August each year) and adjusted to meet the emerging needs of the Partnership.

Over the last 12 months the ASG has undertaken 4 evaluations and a mid-term review of the IACCB program. This has been to support decisions about the effectiveness of the early harvest projects and the progress towards intended outcomes.

Generally, the monitoring and evaluation of the early harvest projects has been inadequate to meet the needs of key stakeholders, particularly meeting DFAT's reporting requirements. Advice has also been provided to new projects on appropriate monitoring, evaluation and reporting structures to meet the needs of the program. As each new program is implemented, the ASG will ensure reporting is aligned with the Partnership's intended outcomes.

### **8.5. Sustainability**

Sustainability is a key focus of all interventions. Generally, all training and capacity building programs have a focus on achieving sustainable benefits. All training programs have involved participants providing training and support to work colleagues and others on return to their positions. In most cases the training is contextualised so that it can be usefully applied in the Indonesian context.

The IACCB has a strong focus on sustainability through its focus on commercial viability and scale up to increase the herd size in Indonesia. Support to small holders also involves ensuring the benefits can be sustained. This is done by establishing and training local support services such as agricultural extension services as well as small holder farmers.

## 8.6. Gender Equity and Social Inclusion

It has been recognised that Gender and Social Inclusion (GESI) requires strengthening as part of the implementation of projects under the Partnership. The ASG and IACCB have developed Gender and Social Inclusion strategies and recognises the roles of women and men in the industry.

All training programs ensure that there is equitable participation in terms of gender and there have been some notable examples of women's empowerment through the program, particularly in relation to gaining greater respect for their expertise and experience when dealing with male counterparts. In some instances, women who have participated in courses in Australia (such as NIAPP) have become motivated to establish businesses in the industry and have changed their outlook in life with regard to being financially independent.

There are few women leaders in the industry. Part of the forward program will involve developing case studies of women leaders to understand the challenges they face and how they have managed to overcome them.

## 8.7. Risk Management and Safeguards

Most risks have been well managed and anticipated by the Partnership and its members. The greatest risk to the Partnership is the potential for policies and regulations to be implemented that could affect the industry without consultation, creating industry tension within Australia and Indonesia. A greater focus on policy discussions, improved communication and the provision of a sound evidence-base will assist with mitigation.

There has been a strong focus on animal welfare. The East Kalimantan project was specifically implemented as a risk mitigation program to ensure the welfare of imported cattle by the Indonesian Government.

The IACCB program has the largest risk profile due to the nature of the program and its commercial goals. This is being well managed on a case by case basis. Apart from slippage due to procurement and project selection processes, most projects are operating well and beginning to establish routine management processes. IACCB provides regular monitoring and technical assistance as required. It is worth noting that after providing Australian cattle to the project sites the condition of many animals declined slightly due to stress, climatic conditions and a different food source. This was identified early by IACCB and the diets adjusted to ensure the cattle regained weight. Establishing a cost-effective diet and nutrition source is an ongoing challenge for many IACCB projects and could be the key determinant of success.

## 8.8. Innovation and Private Sector

The Partnership is designed as an industry-driven initiative. Private sector engagement and development is an integral part of the design and operates at many levels including providing substantial in-kind support. In the NIAPP program, for example, the cattle stations are providing training, accommodation and other support services to Indonesian students at their own expense in order to improve relationships and develop the skills base for the industry in Indonesia and Australia.

The IACCB is an innovative private sector development program that has established 8 pilot projects for cattle breeding using various business models. These range from entirely commercial operations breeding cattle under palms to supporting small holder cooperatives to expand and grow local cattle breeding enterprises. There are also several models that combine large commercial operations with support to surrounding small holder farmers.

## 9. Priorities and Recommendations for the Next Reporting Period

### Priorities

Over the next year, ASG will support the Partnership on a number of key priorities outlined in Table 4 below.

**Table 4: Key priorities for ASG (July 2017 – June 2018)**

| Key Priorities   | ASG Inputs   | Indicative Timeframe                         |
|--|--|--|
| <b>Meetings</b>  |  |  |
| 6 <sup>th</sup> Partnership meeting in Yogyakarta, Indonesia | <ul style="list-style-type: none"> <li>Rearrange meeting format to encourage more policy discussion</li> <li>Engage independent technical experts to present papers on agreed topics and to facilitate discussion among Partnership members</li> <li>Provide all required logistical support, including provision of meeting papers</li> </ul>   | Aug 2017                                     |
| 7 <sup>th</sup> Partnership meeting in Australia             | <ul style="list-style-type: none"> <li>Ensure meeting format continues to encourage policy discussion</li> <li>Engage independent technical experts to present papers on agreed topics and to facilitate discussion among Partnership members</li> <li>Provide all required logistical support, including provision of meeting papers</li> </ul> | Feb 2018                                     |
| Partnership Co-chairs meetings                               | <ul style="list-style-type: none"> <li>Provide all required logistical support, including provision of meeting papers</li> </ul>   | Aug 2017                                     |
| Intersessional meetings – Indonesian members                 | <ul style="list-style-type: none"> <li>Provide all required logistical support, including provision of meeting papers</li> </ul>   | Jul 2017<br>Oct 2017<br>Jan 2018<br>Apr 2018 |
| Sectoral Working Group (SWG) meetings                        | <ul style="list-style-type: none"> <li>ASG Strategic Adviser facilitates session/s with Processing, Breeding, and Logistics/Transport Working Groups to determine priority areas/topics for the Jul 2017 – Jun 2020 period</li> </ul>  | Jul - Aug 2017                               |
| Partnership Annual Report (2016-2017)                        | <ul style="list-style-type: none"> <li>Review progress of Partnership activities and expenditure for the period Jul 2016 – Jun 2017</li> </ul>   | Jul 2017                                     |
| Partnership Progress Report (Jul-Dec 2017)                   | <ul style="list-style-type: none"> <li>Review progress of Partnership activities and expenditure for the period Jul - Dec 2017</li> </ul>  | Dec 2017 – Jan 2018                          |

| Key Priorities  | ASG Inputs  | Indicative Timeframe |
|---|---|----------------------|
| <b>Communications</b>   |   |                      |
| Development of Partnership Communications Strategy                              | <ul style="list-style-type: none"> <li>Engage and oversee the work of a Lead Communications Specialist and an Indonesian Communications Specialist to facilitate the development of the Partnership Communications Strategy</li> </ul>  | Jul – Aug 2017       |
| Implementation of Communications Strategy                                       | <ul style="list-style-type: none"> <li>Coordinate implementation of the Communications Strategy including development of Partnership Newsletter</li> </ul>  | Sep 2017- Jun 2024   |
| <b>Research and Analysis</b>  |   |                      |
| Economic Assessment of Indonesian Breeder Operations using Australian Cattle    | <ul style="list-style-type: none"> <li>Determine options, via an economic assessment, to support breeding operations using Australian cattle. Options to be evaluated include 1) fast-tracking proven models under the IACCB Project; and 2) expanding Meat and Livestock Australia (MLA)'s work with Gajah Mada University (UGM) and cattle importers to develop bespoke assessments of viability</li> </ul> | Sep 2017             |
| Indonesian Commercial Cattle Sector Gender and Social Inclusion (GESI) Analysis | <ul style="list-style-type: none"> <li>Engage and oversee the work of a GESI specialist who will analyse GESI successes, barriers and opportunities in the Indonesian commercial cattle sector, and propose recommendations for the Partnership and its projects</li> </ul>   | Oct 2017             |
| Case Study on Smallholder Integration with Commercial Business'                 | <ul style="list-style-type: none"> <li>Conduct a case study on PT Great Giant Livestock and PT Santosa Agrindo on the sustainability and viability of smallholder integration with commercial business and women's leadership using the experience of the PT Great Giant Livestock Director.</li> </ul>   | Oct 2017             |
| <b>Partnership M&amp;E Support<sup>5</sup></b>                                  |   |                      |
| Annual Partner Interviews   | <ul style="list-style-type: none"> <li>Annual interview of Partnership members to seek their feedback on the progress and performance of the Partnership.</li> </ul>  | Nov 2017             |
| M&E and reporting assistance for new projects                                   | <ul style="list-style-type: none"> <li>For new projects, work with project implementers to develop program logics, M&amp;E plans and reporting requirements.</li> </ul>   | Aug – Oct 2017       |
| <b>Project Implementation and Evaluations<sup>6</sup></b>                       |   |                      |
| Mid-Term Review of IACCB  | <ul style="list-style-type: none"> <li>Review program implementation over the initial 18 months' period</li> </ul>  | Jul 2017             |
| End of Program Evaluation – East Kalimantan Breeder Support Project             | <ul style="list-style-type: none"> <li>Review program implementation, focusing on the extension period (Jun 2017 – Feb 2018).</li> </ul>  | Mar 2018             |

<sup>5</sup> Conducted by ASG M&E Adviser

<sup>6</sup> Conducted by ASG M&E Adviser

| Key Priorities  | ASG Inputs   | Indicative Timeframe |
|---|--|----------------------|
| Rapid Review of Indonesia's Beef Consumption and Preference Trends Survey | <ul style="list-style-type: none"> <li>Review the outcome of the survey</li> </ul> | Apr 2018             |
| Rapid Review of Indonesia's Supply Chain and Logistic Study               | <ul style="list-style-type: none"> <li>Review the outcome of the study</li> </ul>  | Apr 2018             |
| Rapid Review of Cattle Bonded Logistics Zone in Indonesia Study           | <ul style="list-style-type: none"> <li>Review the outcome of the study</li> </ul>  | Apr 2018             |

### Recommendations from previous reporting period

#### 1. Strengthen the project establishment process, including engagement with Indonesian government and industry through Working Group meetings

ASG has produced draft formats for Concept Notes and Project Proposals that were used during the first half of 2017. These have provided consistency in development of project proposals. ASG has conducted meetings with Indonesia members to update them on activities and reviews. The Processing Working Group held an out-of-session meeting to discuss options for future activities in January 2017. The Breeding and Logistics Working Groups met at the end of July to discuss future activities in this sub-sector. In particular, the Logistics Working Group have asked to be more involved in overseeing the implementation of the two studies on supply chain analysis and cattle bonded zone.

#### 2. Involve the Indonesian stakeholders in project evaluation and case studies

All significant reviews now involve an Indonesian expert as a core component of the evaluation team. The review of the IACCB Program is being conducted by Mr David Goodwins (ASG M&E Adviser) and Dr Dahlanuddin (Mataram University). A separate review of the IACCB program was commissioned by Indonesia's MoA and is being conducted by experts from IPB. Smaller reviews have generally involved the ASG team, including Program Manager, Mr Isradi Aireja as an Indonesian expert.

### Recommendations for the coming period

The recommendations from the previous 6-monthly report remain works in progress and will be carried over into the current ASG year.

#### 1. Develop a Partnership Communications Strategy

ASG will support the Partnership to develop a Communications Strategy targeted towards both internal and external stakeholders. Internally, the Strategy would address concerns around unequal flow of information, bridge the different opinions among Partnership members, and keep members engaged through constant flow of information. Externally, the Strategy would increase public awareness of the Partnership by communicating its early achievements.

#### 2. Refine the Project Establishment Process

ASG will continue to refine project establishment processes, producing a Project Establishment Manual for the purpose. This will clearly explain the process of endorsing project ideas, developing concept notes and project proposals and the extent to which ASG will support proponents of proposals. Draft formats for Concept Notes and Project Proposals have already been drafted. ASG will also closely monitor results to ensure projects focus on their original intent.

**3. Promote the role of Working Groups as Partnership's think tank**

The Partnership should clarify the Terms of Reference for each Working Group to ensure better alignment with the Partnership objectives. The Working Groups should schedule intersessional meetings (in between Partnership meetings), in which they can conduct brainstorming sessions to discuss future direction for each thematic area, consider the progress and outcomes of ongoing projects/activities, and discuss current issues in the sector and how to overcome them. The Working Groups then provide recommendations on key areas for Partnership interventions.

ASG support could include provision of meeting papers and other logistical support as required, as well as inputs from the ASG Strategic Adviser to facilitate brainstorming sessions with the Working Groups.

**4. Involve relevant stakeholders in program design and evaluations**

The Partnership should ensure that relevant Working Group members are strategically involved in the development and evaluation of an activity/project. This approach will ensure that the Partnership benefits from the wealth of internal knowledge and experience while keeping members engaged throughout the process.

**5. Organise regular intersessional meetings for Indonesian members**

To ensure that Indonesian members are regularly updated on Partnership activities and outcomes, ASG will provide all logistical support to organise intersessional meetings for Indonesian members upon request. Support will include provision of meeting papers and other logistical support as required.

**6. Identify a funding mechanism to allow the Australian Government manage annual allocation and maintain programme effectiveness**

The tension between activity implementation and spending imperatives could be alleviated by identifying a funding mechanism that allows Australian government departments to allocate funds and manage subsequent initiatives through ASG, thereby supporting the timely release of funds based on outputs/outcomes achieved. This would also support value for money outcomes.

**Annex 1 - Key Dates and Events**

| Date           | Event  |
|----------------|--|
| June 2011      | The Australian Government reacts to public pressure and suspends live exports of cattle to Indonesia due to animal welfare issues.   |
| July 2011      | The Australian Government lifts the ban on live cattle exports and imposes strict conditions on Export Permits through a supply chain assurance regulatory model               |
| July 2011      | The Export Supply Chain Assurance System (ESCAS) is implemented  |
| August 2011    | Independent Review of Australia's Livestock Export Trade is completed with 14 recommendations  |
| May 2012       | ABARES releases northern beef study  |
| August 2012    | Indonesia introduces the need for pedigree information on all breeding cattle sent to Indonesia  |
| July 2012      | Indonesia introduces 5 % tariff (retrospective to January 2012)  |
| July 2012      | Indonesia maintains live cattle and beef quotas (Ministerial meeting in Darwin)  |
| June 2013      | Changed of Australian Prime Minister from Ms. Julia Gillard (June 2010 – June 2013) to Mr. Kevin Rudd  |
| July 2013      | Release of the MLA Boxed Beef and Live Cattle Indonesia Strategy   |
| September 2013 | Changed of Australian Prime Minister from Mr. Kevin Rudd (June 2013 – September 2013) to Mr. Tony Abbott   |
| December 2013  | Australia-Indonesia Partnership on Food Security in the Red Meat and Cattle Sector commences with \$50m from DFAT and \$10m from Department of Agriculture and Water Resources |
| April 2014     | First Indonesia-Australia Partnership meeting on Food Security in the Red Meat and Cattle Sector in Jakarta, Indonesia   |
| August 2014    | Second Indonesia-Australia Partnership meeting on Food Security in the Red Meat and Cattle Sector in Jakarta, Indonesia  |
| October 2014   | Changed of Indonesian President from Mr Susilo Bambang Yudhoyono (Oct 2009 – Oct 2014) to Mr. Joko Widodo  |
| January 2015   | ESCAS Report on its implementation released by the Department of Agriculture and Water Resources (as recommended by the Independent Review conducted in 2011)                  |

| Date           | Event  |
|----------------|--|
| January 2015   | Development of SOPs in Indonesian abattoirs commenced  |
| August 2015    | Third Indonesia-Australia Partnership meeting on Food Security in the Red Meat and Cattle Sector in Jakarta, Indonesia   |
| August 2015    | Extension of the Skills Development Program to 2016-2017 and Development of SOP in Indonesian abattoirs to 2016 was endorsed.  |
| September 2015 | Change of Australian Prime Minister from Mr. Tony Abbott (Sept 2013 – Sept 2015) to Mr. Malcom Turnbull  |
| November 2015  | Indonesia implements Regulation 85 on Bonded Logistics Centres crucial to reducing logistics costs. Companies setting up operations in Bonded Logistics Centres will be allowed to postpone import duty payment and be exempted from VAT, Sales Tax on Luxury Goods and excise duty. |
| January 2016   | Skills Development Program 2016 batch commenced  |
| February 2016  | Indonesia Australia Commercial Cattle Breeding program commenced   |
| February 2016  | Development of SOPs in Indonesian abattoirs 2016 batch commenced   |
| March 2016     | First Joint Industry Vision Workshop in Jakarta, Indonesia   |
| April 2016     | Fourth Indonesia-Australia Partnership meeting on Food Security in the Red Meat and Cattle Sector in Jakarta, Indonesia  |
| April 2016     | Management of East Kalimantan breeder support project commenced  |
| April 2016     | Development of Best Practice Guidelines for Improving Cattle Handling and Transportation Facilities at Dedicated Cattle Seaports project commenced   |
| May 2016       | Indonesia allows “zone based” meat imports to allow the import of meat from Brazil and India - countries known to have foot and mouth disease, but contain unaffected or disease free “zones”  |
| July 2016      | Advisory and Support Group (ASG) commenced to support the Partnership  |
| July 2016      | Second Joint Industry Vision Workshop in Jakarta, Indonesia  |
| July 2016      | The Chairman of BKPM was changed from Mr Franky Sibarani (Oct 2014 – July 2016) to Mr. Thomas Lembong  |

| Date            | Event  |
|-----------------|--|
| July 2016       | Director-General Livestock and Animal Health, Ministry of Agriculture, Dr Muladno, was removed from his position. Secretary-General, Mr Hari Priyono was acting in this position.  |
| July 2016       | First shipment of Indian buffalo meat is imported into Indonesia in an effort to provide low cost meat   |
| August 2016     | 500 heads of Australian Cattle (heifers) selected and procured for IACCB Projects.   |
| September 2016  | Third Joint Industry Vision Workshop in Brisbane, Australia  |
| September 2016  | Indonesian Government lifts quotas on live cattle imports but introduces a regulation that 20% of imports must be breeding cattle  |
| September 2016  | Indonesian Government plans to import 700,000 live cattle in 2017  |
| October 2016    | First delivery of cattle (300 heads of heifers) to IACCB project site Buana Karya Bhakti (BKB)/Santosa in South Kalimantan   |
| November 2016   | Mr I Ketut Diarmita was appointed as Director-General of Livestock and Animal Health (Dirjen PKH) to replace Dr Muladno (Oct 14 – Jul 16).   |
| November 2016   | Fifth Indonesia-Australia Partnership meeting on Food Security in the Red Meat and Cattle Sector in Perth, Western Australia (November 16-17)  |
| December 2016   | The successful importation of 450 high quality productive heifers and 33 bulls into Surabaya and 250 heifers and 13 bulls in to Lampung. These cattle complete the herds for the initial four IACCB projects   |
| February 2017   | The Indonesian Government made changes to feeder cattle importation. The permit cycle was changed from four months to a rolling 12-month cycle, giving the industry more certainty about supply. In addition, the weight limit specifications for feeder cattle were increased from 350 to 450 kg in an attempt to reduce cost per kilogram of Australian feeder cattle. |
| Jan – June 2017 | <p>ASG conducted reviews or Partnership projects including:</p> <ul style="list-style-type: none"> <li>• Skills Development Program (all four components)</li> <li>• NTCA Indonesia-Australia Pastoral Program (NIAPP)</li> <li>• Management of East Kalimantan Breeder Support Project</li> </ul>   |

## Annex 2 – Project summaries and status reports (June 2017)

| Project Name  | Implement. Agency                                 | Total Cost  | Date         |               | Location   | No. of Participants     | Project Status - Summary  |  |
|---|---|-------------|--------------|---------------|--|-------------------------|---|--|
|   |   |             | Commencement | Completion    |  |                         | (Key Stakeholders and Direct/indirect Beneficiaries)                      |  |
| <b>Skills Development Program 2016</b>                | Coffey International Development                  | \$2,400,000 | January 2016 | June 2017     | - Queensland (processors and junior policy course)<br><br>- New South Wales (producers and senior policy course) | 92 (26 Female, 66 Male) | Key stakeholders  | : Ministry of Agriculture, host universities   |
|   |   |             |              |               |  |                         | Direct beneficiaries  | : slaughterhouse operators, industry professionals and policy officers at relevant GoI institutions  |
|   |   |             |              |               |  |                         | Indirect beneficiaries  | : host universities, Indonesian abattoirs, local community   |
|   |   |             |              |               |  |                         | Next Steps (proposed extension / change to program / downstream programs) | : Proposed extension to the program for 2017-2018 was tabled at the 5 <sup>th</sup> Partnership meeting. Awaiting final approval from members. |
| <b>NTCA Indonesia Australia Pastoral Program 2016</b> | Northern Territory Cattlemen's Association (NTCA) | \$533,731   | January 2016 | December 2016 | Northern Territory   | 20 (10 Female/10 Male)  | Key stakeholders  | : Ministry of Agriculture, host stations   |
|   |   |             |              |               |  |                         | Direct beneficiaries  | : Indonesian students and host station representatives   |
|   |   |             |              |               |  |                         | Indirect beneficiaries  | :  |
|   |   |             |              |               |  |                         | Next Steps (proposed extension / change to program / downstream programs) | : Proposed extension to the program for 2017-2018 was tabled at the 5 <sup>th</sup> Partnership meeting. Awaiting final approval from members. |

| Project Name  | Implement. Agency   | Total Cost  | Date          |               | Location   | No. of Partici-pant                        | Project Status - Summary                             |   |
|---|---|-------------|---------------|---------------|--|--|--|---|
|   |   |             | Commen-cement | Completion    |  |  | (Key Stakeholders and Direct/indirect Beneficiaries) |   |
| Indonesia Australia Commercial Cattle Breeding Program                      | Coffey International Development                                | \$9,071,061 | February 2016 | January 2019  | South Kalimantan, Central Kalimantan, Bengkulu, East Java, Lampung | 4 organisations                            | Key stakeholders                                     | : Breeding Working Group members<br>Direct beneficiaries : project partners<br>Indirect beneficiaries : Cattle industry<br>Next Steps (proposed extension / change to program / downstream programs) : Finalise remaining project / partner selection; continue support to existing projects  |
| Management of East Kalimantan breeder support project                       | Northern Territory Department of Primary Industry and Resources | \$881,944   | Apr-16        | Feb-18        | East Kalimantan  | 47 farmer groups                           | Key stakeholders                                     | : Dinas Peternakan East Kalimantan and DG Livestock officials at the Ministry<br>Direct beneficiaries : project partners<br>Indirect beneficiaries : local communities<br>Next Steps (proposed extension / change to program / downstream programs) : A two-year extension to the project was tabled at the 5 <sup>th</sup> Partnership meeting. This includes an extension of management support to enable a full assessment of cattle productivity and an adaptation of the Indonesian animal health reporting system (iSIKHNAS) to monitor, evaluate and report data on breeder performance. Awaiting final approval from members. |
| Development of Standard Operating Procedures (SOPs) in Indonesian Abattoirs | TAFE Queensland South West                                      | \$175,000   | January 2016  | December 2016 | Queensland   | 11 (4 Female/7 Male) spread in 5 abattoirs | Key stakeholders                                     | : Processing Working Group members<br>Direct beneficiaries : participating abattoirs<br>Indirect beneficiaries :<br>Next Steps (proposed extension / change to program / downstream programs) : A proposal for Stage 2 activities is currently being considered by the Partnership  |

| Project Name   | Implement. Agency                 | Total Cost | Date          |            | Location | No. of Partici-pant | Project Status - Summary  |
|--|-----------------------------------|------------|---------------|------------|----------|---------------------|---|
|  |                                   |            | Commen-cement | Completion |          |                     | (Key Stakeholders and Direct/indirect Beneficiaries)  |
| Development of Best Practice Guidelines for Improving Cattle Handling and Transportation Facilities at Dedicated Cattle Seaports | Schuster Consulting Group Pty Ltd | \$79,000   | Apr-16        | July 2017  | N/A      | N/A                 | Key stakeholders : Logistics Working Group members<br>Direct beneficiaries : port operators, cattle breeders, abattoirs<br>Indirect beneficiaries : consumers<br>Next Steps : N/A<br>(proposed extension / change to program / downstream programs) |

## Annex 3

### Skills Development Program – Review

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#### Introduction

The Partnership sponsored a range of short courses to promote skills development in the Indonesian industry. These courses were conducted in 2015 and 2016 with each course being carefully monitored and evaluated according to the Australian Awards monitoring and evaluation standards. Courses included: Animal husbandry and cattle production (University of New England); Meat production, processing and supply chain management (TAFE Queensland South West); Policy development for livestock production and supply chains (University of Queensland); and Senior policy courses on sharing good practice in the Australian and Indonesian livestock industries (University of Sydney).

The Australia Awards programme conducted evaluations of each course and reported positive results. It was found that:

- More than 95% report that the course is relevant to their career plans, relevant to their organisation and relevant to their specific work duties
- More than 95% are satisfied with the course and 100% reported that they had a positive view of Australia and Australians
- Over 80% reported that they had made changes to the way they work and 80% also reported they had contributed to changes in the way the organisation works, with 83% reporting that employers were supportive of work changes
- Approximately 75% reported a greater understanding of gender and disability inclusion issues in the work place
- Over 90% reported that the course had improved their professional networks.

The ASG evaluation looked at the results from a Partnership perspective to understand the value the investment contributes to Partnership outcomes. It was based on evidence from progress reports, alumni database and key informant interviews with a range of stakeholders in Indonesia and Australia. This included Australia Awards Indonesia Short Course Adviser and project managers, course coordinators as well as 13 alumni from 2016 cohort across the four short courses.

#### Key Findings

The skills training is well managed, efficient and effective in terms of achieving training outcomes. The training providers are well respected and have been recognised by participants as providing excellent tuition, pastoral care and support. The training was highly valued by participants and most expectations were met. The perception of the Australian industry was positive.

#### Animal Husbandry and Cattle Production

1. The training provided a strong connection to the Ministry of Agriculture (MoA) and met the needs of the Ministry. All participants demonstrated that they were able to put into practice and train others on return to Indonesia.

2. The overall contribution to Partnership goals, however, was deemed to be problematic. Few participants had a direct link to the commercial cattle sector in order to further the commercial interests of the industry.
3. Participants identified the need for understanding and promoting more integrated farming techniques such as using waste products for fertiliser and feed for more efficient production.
4. There was a positive gender outcome. The women attending the course have gained a new level of respect and credibility on returning to their positions.

### **Meat production, processing and supply chain management**

5. The training was directly relevant to all participants and highly valued. The teaching techniques were appreciated and many are trying to emulate the approach of the trainers to instil more enthusiasm in their in-house training courses.
6. The system in Australia was regarded as a very high standard, however, the course encouraged participants to implement incremental improvements in their operations. If the course is going to have an impact on improving processing, then both managers and supervisors need to attend the course.

### **Policy development for livestock production and supply chains**

7. Of those we interviewed there appeared to be some mismatch between their overall expectations and the course content. One interviewee commented that most participants were not policy makers and that the material should be adjusted to the participants' needs.
8. In terms of policy discussions, it would have been useful to discuss the policy with respect to the structure of the industry in Indonesia – the difference between large scale commercial farming and small holder farmers, particularly with respect to breeding and production.
9. Participants reported that everything they learnt was useful, however, the course was considered too short and there were many areas that they would have liked more detail.
10. All participants were able to apply what they learnt on return to Indonesia. This was a positive outcome and all discussed a new motivation to improve their work practices. Attending a course in Australia (as opposed to Indonesia) provides inspiration.
11. All those interviewed appeared to be given greater responsibility on return to their positions. This indicates that their skills were being recognised by their immediate managers.

### **Sharing good practice in the Australian and Indonesian livestock industries**

12. Overall the course was very useful. It covered (1) the cattle production system; (2) building animal security mechanisms; (3) creating export/import supply chains and (4) increasing productivity.
13. As a result of the course the participant recognised that policies need to change. It is recognised that the problem is the timing of demand and supply, with the harvesting time in Australia not aligning with the demand in Indonesia.

14. The course should be designed to target more senior policy officers and advisers. It should be shorter to allow more senior officials to attend. The course was targeted at an Echelon 3-4 level but would need to be adjusted to meet the needs of an Echelon 1-2.

### **Progress towards Partnership outcomes**

It is evident that the skills training courses are progressing the Partnership outcomes, however, the extent to which this is happening is unlikely to result in significant progress in the short term. It is a longer-term proposition.

The training is making a moderate contribution to establishing effective linkages, supported by the annual symposium and alumni networks. The Partnership could leverage more from this interaction between Indonesian participants, the industry and government. There is an opportunity to develop better linkages with the MoA through short course activities.

The training is making a major contribution to skills development through direct training and subsequent on-training by participants, however, there should be more focus on including participants that can be more influential in developing the commercial sector. The focus is weighted towards assisting small holder farmers in regional areas.

The training only makes a minor contribution to policy analysis and is an area that could be strengthened. One objective should be to develop a core group of policy analysts in the Coordinating Ministry for Economic Affairs (CMEA) who are well respected by economic agencies. It is clear that the senior policy course could have a significant impact if senior officials could also attend and interact with Australian policy makers. There is strong evidence that the courses are raising awareness of policy issues contributing to an increase in policy dialogue within government. This could also improve the level of trust between industry and government.

The training appears to currently make a minor contribution to supply chain improvement. It is unlikely that the current participants will be influential in improving the supply chain. Those attending the course on “Policy development for livestock production and supply chains” appeared to be mismatched with the course content.

### **Recommendations**

1. All courses should be designed, monitored and evaluated with a focus on Partnership objectives and outcomes as well as training effectiveness. The results need to be measured against the partnership outcomes. A stronger focus on the Partnership outcomes in the design stage would result in a different and more relevant selection of influential participants.
2. A continued attempt should be made to attract senior policy officials to short courses on trade and investment policy in the sector. These courses should attempt to bring together officials from the MoA and the ministries under the CMEA, and engage with Australian Government officials and industry.
3. The course on “Policy development for livestock production and supply chains” should pay particular attention to participant selection. Potential advances in the supply chain can only be made with influential policy makers.
4. There is an opportunity to improve relationships with MoA through the skills development training. Many MoA staff attend the training and the symposium, however, it is likely they associate the skills training with Australia Awards rather than the Partnership.

5. Participants are keen to put into practice what has been learnt, however, the difference between Australian and Indonesian systems means the gap is difficult to bridge. Training providers should contextualise the training so that it is easier to understand how it can be adapted to the local situation.
6. Gender and disability inclusion, while included in training courses, is not having a significant impact on the views of participants. This area should be re-examined to ensure it is more effective. This could be achieved by a more contextualised and practical approach.

## Annex 4

### Northern Territory Cattlemen's Association Indonesia-Australia Pastoral Programme (NIAPP) - Review

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#### Introduction

This evaluation examined the extent to which the NIAPP effectively contributes to the strategic objectives of the Partnership and whether it provides an effective training platform for those wishing to pursue a career in the sector. It was based on evidence from progress reports, alumni database and key informant interviews with a wide range of stakeholders both in Indonesia and Australia. This included staff from Department of Agriculture and Water Resources (Canberra and Jakarta Post), Northern Territory Cattlemen's Association (NTCA), Charles Darwin University, Indonesian Consul in Darwin, 20 alumni from different cohorts as well as course coordinators and lecturers in Indonesia.

NIAPP first commenced in 2012 after a pilot programme in 2011 and has now been running successfully for 5 years under the auspices of the Northern Territory Cattlemen's Association (NTCA). The programme has been funded by the Partnership since 2013. Each year a batch of up to 20 students participate in cattle management training on pastoral properties in Northern Australia. This is supported by a reciprocal cultural exchange programme whereby Australian industry partners visit Indonesia.

The key success indicators for the programme are that:

- Students involved in the programme choose a learning pathway that leads to professional and business opportunities in the red meat and cattle sector.
- Participants (alumni) are employed in the sector and have a career path that leads them into positions of influence in the industry.
- Political support for an ongoing partnership between Australia and Indonesia to focus on mutual industry benefits and evidence-based policy that supports the growth of the industry is maintained
- There are stronger industry to industry links between Indonesia and Australia to encourage improvements in the supply chain and investment
- A mutual understanding of opportunities and challenges in the Australian-Indonesian supply chain leads to collaboration and increases in industry investment in Indonesia and Australia.

#### Key Findings

##### Contributions to Partnership Outcomes

1. The most significant contributions the programme makes are in establishing industry to industry linkages at the grass roots level, and in providing opportunities for industry partners, senior officials, academia and politicians to come together for informal industry discussions. The events created around the training and course completion, as well as the reciprocal visits to Indonesia by Australian industry representatives, have created a mutual understanding of industry issues and long lasting relationships. The programme has provided opportunities for high level political engagement through 'soft diplomacy'. It has provided good opportunities for media engagement and promoting an Indonesia-Australia cattle partnership, particularly in Northern Territory (NT). The Indonesian Consul to the Northern Territory has been a strong supporter and uses the programme as an opportunity to bring together politicians, industry representatives and students.

2. The technical skills developed have some application in the industry in Indonesia such as animal health and welfare, breeding systems and cattle handling. The programme continues to improve and respond to demand and addressing gaps in knowledge. Participants also train others on return and share knowledge and experience. In all cases, the experience has assisted alumni to gain employment. However, the main value created is in the soft skills and inspiration it creates in participants to establish and lead a business in the industry. The programme increases the number of graduates aspiring to work in the industry and increases the chances of employment in the Industry when compared to the overall graduating cohort<sup>7</sup>. If the programme can create cattle industry entrepreneurs and investment in Indonesia then the outcomes will be significant.
3. The programme raises awareness of significant policy issues amongst participants such as the use of natural breeding versus artificial insemination; and comparative trade advantages between Indonesia and Australia in terms of cattle fattening and breeding respectively. This can influence policy formulation if/when the alumni move into leadership positions. However, the programme is not designed to make a significant contribution to policy analysis. The programme could be improved by examining farm business economics and reflecting on the impact of various policies on business outcomes.
4. The programme raises awareness of supply chain issues through the placements, training and reciprocal visits. This could be strengthened through a greater focus on supply chain issues during the course and exposure to facilities and services that make up the supply chain between Australia and Indonesia.

#### **Effectiveness of the training platform**

5. The technical skills developed throughout the programme are partially transferable to the Indonesian context, particularly in the areas of animal welfare, nutrition, cattle handling and some aspects of breeding systems. This is particularly relevant to working with Australian cattle in feedlots, under palm or with those companies or small holder cooperatives developing breeding programs.
6. The soft skills developed were considered to be the most valuable component of the programme by course providers and participants in terms of personal development. These included confidence building, working independently, team building, work discipline and work ethic, appreciation of physical work, relationship building and communication skills.
7. The student selection processes appear to be appropriate in attracting high achievers and well-motivated individuals who are focused on working in the cattle sector.
8. Demand to participate in the programme has increased significantly since its inception. There are 32 universities competing for 20 positions in the programme. One University lecturer attributed increases in enrolment in Animal Sciences to the opportunity of being able to participate in the programme.
9. Students considered the experience to be life changing. Students were initially motivated to participate to learn more about the cattle industry in Australia and its culture. There is evidence that the programme has influenced many students to pursue a career or high degrees in the cattle industry where they had previously not considered it.
10. All those interviewed wanted to work in the industry but a lack of opportunity had resulted in them accepting other jobs. Most of those interviewed (65%) wanted to establish their own business or

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<sup>7</sup> This is based on the proportion of students (30% in one cohort) who changed their career aspirations to focus on the cattle sector. Although many do not go immediately into a career in the sector, most still retain the aspiration to work in the sector and will switch when the opportunity arises.

farm in the cattle industry once they had developed sufficient skills and acquired capital. Others wanted to be specialists or leaders in the cattle sector.

11. Alumni received some help in getting employment by contacting people through their networks, however there is no structured career pathway or counselling to help alumni move into the industry.
12. The programme has demonstrated continuous improvement and has become increasingly relevant to skills applicable to the industry in Indonesia. The most recent course includes training on animal health, breeding systems and breeder care, including understanding body condition assessment.
13. Men and women on the course were expected to do the same work and were generally treated the same. Many women attending felt more empowered and independent.

### **Recommendations**

14. The programme should fund annual internships in the Ministry of Agriculture (MoA) and selected industries (e.g. Cattle under Palm initiatives) for students who have participated in the NIAPP and who have recently graduated. This would provide a career pathway for students interested in working in Government and the industry, and address immediate skills shortages.
15. Given the value of the NIAPP, the Partnership should consider supporting a 3-4-year programme to provide certainty to students, particularly if the concept of internships is also supported. This would also allow for better use of resources, continuity of support staff, retention of knowledge, and ongoing commitment and forward planning for host farms involved in the programme.
16. To support the career counselling and promotion in Indonesia, a full time local staff member should be employed in Indonesia to support the programme. This could include a range of tasks including identifying career opportunities, coordinating selection processes, management of the alumni network and functions, communication, and promotion.
17. To increase the relevance of the programme to the Partnership objectives, there should be a greater focus and exposure to the supply chain between Australia and Indonesia through visits to port facilities, transport services, abattoirs, and import and export services.
18. Given the high number of students interested in establishing their own business, training on the key principles for setting up a profitable cattle business in the Indonesian context would be useful. A sound understanding of basic business economics would enable participants to be more prepared for setting up a small business in Indonesia; and to advise small holders and farm cooperatives on how to establish a profitable enterprise.
19. There needs to be greater awareness of the programme amongst Indonesian industry partners and government institutions. The programme needs greater exposure with better acknowledgement and links to the Partnership. The Partnership should also explore ways to leverage from the media coverage and events the NIAPP generates to improve public diplomacy for the Partnership and the cattle trade between Australia and Indonesia.
20. The Monitoring and Evaluation Framework should be documented to ensure consistency for future reporting and the KPIs should be revised to align with the Partnership objectives. The alumni database established and maintained for the programme is a valuable resource for analysis and should continue to be maintained.

## Annex 5

### Processing Projects - Review

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#### Introduction

The Partnership supported a series of activities to raise standards and efficiencies in Category 2 abattoirs in Indonesia, including delivery of short courses in Meat production, processing and supply chain management to promote skills development in the Indonesian industry and a related programme to develop Standard Operating Procedures (SOPs). A programme of three courses was delivered in Australia by TAFE Queensland South West (TQSW) for 16 trainees from five Indonesian abattoirs in 2016. Following training delivery, experts from TQSW visited the five abattoirs to identify the current level of SOP implementation. Two follow-up visits were undertaken to provide further on-site training and facilitate the development and implementation of SOPs.

Following on from the skills training and SOPs development activities, TQSW developed a proposal for additional support to the Processing Sector, including: the development of a Meat Training Centre in Indonesia; a study tour to Australia for slaughter house managers; skill and knowledge training to improve standard operating procedures, audit capacity etc.; and North American Standard audits at the five Category 2 slaughter houses and develop training programmes to address issues identified.

The ASG evaluated the completed skills training and SOP development activities from a Partnership perspective to understand the value of the investment to Partnership outcomes, as well as from a general impact perspective. It was based on evidence from project proposal, progress reports and key informant interviews with course coordinators, alumni and managers from the five Category 2 abattoirs.

Options for future support were assessed in relation to impacts from the completed activities, the contributions to meeting Partnership objectives, and the likelihood of providing lasting and significant benefits to the Processing sector. Recommendations were provided by ASG to stimulate further discussion before the Processing Working Group finalised its own recommendations for future support from the Partnership.

#### Key Findings

##### Skills training:

The skills training was well managed, efficient and effective in terms of achieving training outcomes. The perception of the Australian industry by Indonesian participants was highly positive.

The training was directly relevant to all participants and highly valued. The teaching techniques were appreciated and many trainees were trying to emulate the approach used by the trainers to instil more enthusiasm in their own in-house training courses.

The privately-owned abattoirs all undertake in-house training for their staff. Train the trainer type programmes would be highly valued by the businesses. They would prefer to learn on-site due to the unique set up of each operation and receive technical assistance on ways to innovate and improve their particular processing systems.

##### SOPs development:

TQSW noted that, whilst the majority of the slaughter houses were ISO accredited, their systems were not food safety focused and lacked attention to detail. This was especially evident in all of the cleaning and process control programmes.

Implementation of existing Quality Assurance (QA) systems was poor, as evidenced by inadequate management review, internal auditing and staff training programmes. It was felt that if companies implemented these programmes it will greatly assist the slaughterhouses to meet QA standards.

Whilst hygienic processing and cleaning procedures improved as a result of the visits, there is currently no financial or reputational incentive for abattoirs to seriously address the development and implementation of SOPs in the current commercial environment.

All of the target abattoirs have experienced a 50% plus decline in production since late 2016 as a result of a combination of external factors that are expected to persist into the immediate future. Accordingly, there was little impetus to spend money on upgrading SOPs. Instead, the focus of abattoir management was on finding cost efficiencies and niche markets for products.

### **Contributions to Partnership Outcomes**

It was evident that the processing skills training and SOP development activities have progressed the Partnership outcomes, however, their immediate effectiveness has been severely curtailed by a highly challenging commercial environment as a result of historically high Australian cattle prices and domestic policies allowing importation of Indian buffalo meat.

The training made a major contribution to skills development through direct training and subsequent on-training by participants, however, future training would benefit from a train-the-trainer model, so that scale-up of learning can occur. Training made a moderate contribution to establishing effective industry linkages, supported by the annual symposium and alumni networks. The Partnership could leverage more from this interaction between Indonesian participants, the industry and government.

The SOPs development activity has contributed towards the Processing Working Group's target of export accreditation for at least one of Indonesia's abattoirs. A significant constraint to achieving this objective appears to be the lack of commercial commitment to the objective at the current time. A more buoyant commercial environment, including identification of specific export market opportunities, may reinvigorate the level of commitment.

### **Consideration of TQSW Proposals submitted at the 5<sup>th</sup> Partnership meeting**

**Australian study tour concept:** There was only modest support for the Australian study tour concept among Indonesian and Australian Partnership members. Most abattoir managers had travelled to Australia previously and had received exposure to Australian systems. As such, this proposal was considered to be a low priority.

**Meat training centre:** There was moderate support among stakeholders for the establishment of a meat training centre (MTC). In reality, this would simply be a unit located within an existing Bogor Agricultural University (IPB) faculty with a single meat processing trainer. The scale of demand and willingness of Category 2 abattoirs and additional Category 1 abattoirs to pay for staff training requires assessment. Given that the MTC has been proposed to provide a sustainable training service for Indonesia, a business case for the programme, funded through fees for tuition or another means, would be required.

**Skills and knowledge training:** This component of the TQSW proposal is linked to the training already completed in Australia – specifically, following up on improvements in SOPs, processing hygiene and internal audit capacity. Training in stunning, Halal slaughter and butchery is already available through Ministry of Agriculture (MoA) and Elders. Additional training in train-the-trainer skills was regarded as a priority by stakeholders, so that additional staff could be trained “in-house”.

**Audit of QA system and follow up:** A process of ongoing improvement to processes and infrastructure is desirable, and essential where exporters have identified export markets that they intend to target in the immediate future. However, given that none of the Category 2 abattoirs is actively seeking export markets at the current time, abattoirs have at best only partially improved SOPs as recommended by TQSW, domestic markets do not pay a premium for improved hygiene and standards, and that it is currently illegal to export beef from Indonesia, it may be worth postponing implementation of activities targeting export accreditation until conditions improve.

### **Recommendations**

Future training provision by TQSW should include a significant train-the-trainer (ToT) component so that in-house training can be delivered.

Following ToT training, TQSW might support in-house training in the target abattoirs to assist trainers. At the same time the TQSW trainers could follow-up on SOPs development.

Beyond this support, ASG suggests that it is timely to consider how the Partnership can best support the Processing sector. As noted by one Processing Working Group member: *It may not be awareness (of SOPs) that is the problem, but the need to remain competitive in a market which currently does not reward higher hygiene standards.*

The consideration of future support options might start with addressing the following questions:

- Given the current commercial environment, is it realistic to expect that at least one Category 2 abattoir will achieve export accreditation and that this will result in significant financial benefits.
- Are there alternative options for the Partnership to provide support to the Processing sector that will increase efficiencies and returns or minimise losses during periods of low production?

## Annex 6 – Risk Register Indonesia Australia Partnership on Food Security in the Red Meat and Cattle Sector

| Risk  | Existing Controls  | Risk Rating with existing controls in place |            |             | Is this acceptable (y/n) | Further Possible Mitigation Measures in the design of the integrated program   | Responsibility     | Implementation Date | Residual risk after mitigation |            |             |
|---|--|---|------------|-------------|--------------------------|--|--------------------|---------------------|--------------------------------|------------|-------------|
|   |  | Consequence                                 | Likelihood | Risk Rating |                          |  |                    |                     | Consequence                    | Likelihood | Risk Rating |
| <b>Achieving Partnership Results and Outcomes</b>   |  |   |            |             |                          |  |                    |                     |                                |            |             |
| Disparate activities do not yield cohesive results and lose strategic focus. Partnership outcomes are not achieved. | Regular engagement with the Partnership members and working groups to reinforce the agreed vision and strategic outcomes | Major                                       | Likely     | High        | N                        | Strengthen project templates and designs to ensure they align with strategic outcomes<br>Improve communication to all stakeholders on outcomes<br>Closely monitor results to ensure projects focus on their original intent. | Secretariat<br>ASG | Ongoing             | Mod                            | Possible   | High        |

| Risk   | Existing Controls   | Risk Rating with existing controls in place |            |             | Is this acceptable (y/n) | Further Possible Mitigation Measures in the design of the integrated program   | Responsibility                     | Implementation Date | Residual risk after mitigation |            |             |
|--|---|---|------------|-------------|--------------------------|--|------------------------------------|---------------------|--------------------------------|------------|-------------|
|  |   | Consequence                                 | Likelihood | Risk Rating |                          |  |                                    |                     | Consequence                    | Likelihood | Risk Rating |
| Partnership involves four distinct stakeholder groups <sup>8</sup> , each of which has contrasting opinions regarding what should be done to achieve the Partnership's objectives. | Strategies and activities are discussed at Partnership meetings   | Major                                       | Likely     | High        | N                        | Convene more open and regular communication between members in smaller groups<br>Establish mechanisms for members to frankly discuss differences at the Partnership meetings                                     | Working Groups<br>ASG<br>Co-Chairs | Ongoing             | Mod                            | Possible   | Mod         |
| There is a tension between program effectiveness and spending imperatives when funding that is allocated to projects fail to achieve approvals in a timely manner.                 | Projects are often forward-funded to meet end of financial year requirements, which may reduce the pressure to meet milestones, thereby reducing program effectiveness. | Mod   | Likely     | High        | N                        | Identify a funding mechanism that allows Australian departments to allocate funds through ASG, which would then manage the payments to project implementers once approvals are negotiated or milestones achieved | ASG & DFAT/<br>DAWR                | Ongoing             | Mod                            | Possible   | Mod         |

<sup>8</sup> Australian and Indonesian industry and Australian and Indonesian governments

| Risk  | Existing Controls  | Risk Rating with existing controls in place |            |             | Is this acceptable (y/n) | Further Possible Mitigation Measures in the design of the integrated program   | Responsibility                       | Implementation Date       | Residual risk after mitigation |            |             |
|---|--|---|------------|-------------|--------------------------|--|--------------------------------------|---------------------------|--------------------------------|------------|-------------|
|   |  | Consequence                                 | Likelihood | Risk Rating |                          |  |                                      |                           | Consequence                    | Likelihood | Risk Rating |
| A focus on small holder farming instead of commercial operations may divert attention and resources to activities that are not priorities in meeting Partnership goals. | All projects are reviewed against the overall strategic framework and technical input provided on designs by Working Groups. Some Working Groups members support small holder initiatives where they are seen to meet Partnership goals. | Mod   | Likely     | Mod         | N                        | Reinforce the purpose, scope and objectives of the program with stakeholders. Ensure all funded projects contribute to the longer-term outcomes through a clearly defined results chain or theory of change. | Working Groups<br>ASG<br>M&E Adviser | During project evaluation | Mod                            | Possible   | Low         |

| Risk  | Existing Controls  | Risk Rating with existing controls in place |            |             | Is this acceptable (y/n) | Further Possible Mitigation Measures in the design of the integrated program  | Responsibility                             | Implementation Date | Residual risk after mitigation |            |             |
|---|--|---|------------|-------------|--------------------------|---|--|---------------------|--------------------------------|------------|-------------|
|   |  | Consequence                                 | Likelihood | Risk Rating |                          |   |  |                     | Consequence                    | Likelihood | Risk Rating |
| There is a significant expectation that the Cattle Breeding Program (IACCB) is able to conclusively address the questions around cattle production under Palms or Forestry after 20 years of failed attempts. The current approach does not place a high emphasis on producing clearly defensible research. | The Cattle Breeding Program has a strong M&E program in place, however, it does not place a strong enough emphasis on producing clearly defensible research. | High  | Likely     | High        | N                        | Review the M&E system from a research perspective to ensure it maintains scientific integrity when addressing key evaluation questions, taking into account the previous work of ACIAR and the known factors affecting success and failure. | ASG<br>Team Leader<br>IACCB<br>M&E Adviser | From January 2017   | Minor                          | Possible   | Mod         |

| Risk  | Existing Controls  | Risk Rating with existing controls in place |            |             | Is this acceptable (y/n) | Further Possible Mitigation Measures in the design of the integrated program  | Responsibility  | Implementation Date   | Residual risk after mitigation |            |             |
|---|--|---|------------|-------------|--------------------------|---|---|---|--------------------------------|------------|-------------|
|   |  | Consequence                                 | Likelihood | Risk Rating |                          |   |   |   | Consequence                    | Likelihood | Risk Rating |
| Outputs and results do not meet the needs of the Indonesian Government. There is a perception that the Australian government and industry is driving the program. | Continued engagement with the Indonesian government and industry to fully understand their needs<br>Regular Partnership meetings | Major                                       | Likely     | High        | N                        | Increase Indonesian engagement and ownership in working groups and project designs<br>Improve monitoring and evaluation of projects and share the results more widely with stakeholders to demonstrate benefits<br>Ensure immediate sharing of evaluation results prior to approval of ongoing programs | DoAWR/DFAT Partnership members / Working groups<br>Secretariat<br>ASG | On commencement   | Mod                            | Possible   | High        |
| Inability to attribute results to program activities or articulate the program's contribution.  | Project-based M&E in place but not closely aligned with the strategic outcomes identified by the Partnership                     | Mod   | Likely     | High        | Y                        | Assist each project to implement a results-based approach to M&E and to track contributions and alternative explanations for results<br>Each major project will establish a results chain to indicate outcomes being achieved.  | ASG<br>M&E Adviser  | From January 2017 for all new approved programs or program extensions | Minor                          | Possible   | Mod         |

| Risk   | Existing Controls  | Risk Rating with existing controls in place |            |             | Is this acceptable (y/n) | Further Possible Mitigation Measures in the design of the integrated program   | Responsibility                      | Implementation Date     | Residual risk after mitigation |            |             |
|--|--|---|------------|-------------|--------------------------|--|-------------------------------------|-------------------------|--------------------------------|------------|-------------|
|  |  | Consequence                                 | Likelihood | Risk Rating |                          |  |                                     |                         | Consequence                    | Likelihood | Risk Rating |
| The benefits delivered through the various projects and activities are not sustainable   | Documented in program designs but sometimes not clearly demonstrated.  | High  | Likely     | High        | N                        | Each funded project will be required to develop a sustainability and exit strategy to ensure benefits are ongoing after the initiative is complete.  | ASG Project managers / Implementers | All new funded programs | Minor                          | Possible   | Mod         |
| The M&E system fails to meet the needs of the program due to limited resources and focus | M&E is being implemented at the Partnership level through the ASG but needs strengthening at the project level. Each project has an M&E component but these need strengthening | Mod   | Likely     | High        | N                        | M&E resources will increase to meet anticipated needs. Technical support will be provided to projects to ensure each M&E approach is customised to their needs but able to be combined for Partnership level reporting | ASG M&E Adviser                     | June 2017               | Minor                          | Possible   | Mod         |

| Risk   | Existing Controls  | Risk Rating with existing controls in place |            |             | Is this acceptable (y/n) | Further Possible Mitigation Measures in the design of the integrated program   | Responsibility  | Implementation Date | Residual risk after mitigation |            |             |
|--|--|---|------------|-------------|--------------------------|--|-----------------|---------------------|--------------------------------|------------|-------------|
|  |  | Consequence                                 | Likelihood | Risk Rating |                          |  |                 |                     | Consequence                    | Likelihood | Risk Rating |
| <b>Partnership / Relationships</b>   |  |   |            |             |                          |  |                 |                     |                                |            |             |
| The strength of the Partnership and working relationships are impacted by continuous changes in membership and government reorganisation as well as the limited opportunities for engagement (e.g. once or twice a year) | Regular communication and briefing between members keeps Partners updated, however, personal working relationships need to be more stable. | Mod   | Likely     | High        | N                        | Additional effort will be invested in ensuring close relationships are maintained between sessions, and if changes occur, clear handover procedures are in place, including introductions to counterparts. The communication strategy will be implemented to help keep Partners informed of changes. | ASG Secretariat | Continuous          | Mod                            | Unlikely   | Mod         |
| Government of Indonesia does not appreciate the value of the Partnership as an economic partnership and sees the program as technical assistance only.   | Partnership meetings are used to reinforce the strategic outcomes for the Partnership. This includes wide-ranging industry representation. | Mod   | Possible   | High        | N                        | Fully implement the Phase II Implementation Strategy which has a stronger focus on policy. The Communications Strategy will focus on communicating the benefits of the Partnership. M&E will monitor the strength of the Partnership on an ongoing basis.  | ASG Secretariat | Continuous          | Mod                            | Unlikely   | Mod         |

| Risk   | Existing Controls  | Risk Rating with existing controls in place |            |             | Is this acceptable (y/n) | Further Possible Mitigation Measures in the design of the integrated program  | Responsibility                | Implementation Date | Residual risk after mitigation |            |             |
|--|--|---|------------|-------------|--------------------------|---|-------------------------------|---------------------|--------------------------------|------------|-------------|
|  |  | Consequence                                 | Likelihood | Risk Rating |                          |   |                               |                     | Consequence                    | Likelihood | Risk Rating |
| Gol sees the Partnership as being Australian-driven and primarily to achieve Australia's interests   | ASG attempts to engage the Gol and is kept aware of the mutual benefits of the Partnership   | High  | Likely     | High        | N                        | All partners commit to open communications on Partnership issues. ASG ensures that relevant information is shared with all Partners in a timely manner  | DFAT/DoAWR<br>BKPM/MoA<br>ASG | Continuous          | Mod                            | Possible   | Mod         |
| The Australian Industry perceive the Partnership as helping Indonesia at the expense of Australian interests and trade. They have limited visibility of the results being achieved given the significant investment in the program, and question the worth of the program. | The Secretariat produces newsletters which promote the program to all industry players and which articulates the mutual benefits of the Program. | High  | Likely     | High        | N                        | The Communication Strategy will explore a wide range of approaches to improving communication with industry players to ensure they have a good understanding of the potential benefits of the program. The M&E will focus on reporting on the results of the Partnership which will be communicated to all stakeholders | ASG Secretariat               | From Sep 2017       | Mod                            | Likely     | High        |

| Risk   | Existing Controls   | Risk Rating with existing controls in place |            |             | Is this acceptable (y/n) | Further Possible Mitigation Measures in the design of the integrated program   | Responsibility | Implementation Date                            | Residual risk after mitigation |            |             |
|--|---|---|------------|-------------|--------------------------|--|----------------|--|--------------------------------|------------|-------------|
|  |   | Consequence                                 | Likelihood | Risk Rating |                          |  |                |  | Consequence                    | Likelihood | Risk Rating |
| <b>Technical Assistance</b>  |   |   |            |             |                          |  |                |  |                                |            |             |
| Technical assistance is not fit for purpose or properly contextualised. There is a lack of understanding of the conditions in Indonesia limiting the effectiveness of skills training and the implementation of operational guidelines | Project designers and Gol counterparts work together to determine requirements however the working context is often not fully appreciated and the projects are not market-driven. | Min   | Possible   | Mod         | N                        | Encourage greater collaboration between project designers and Gol counterparts. A quality assurance process involving Partners and the ASG will be implemented for Project Designs and procurement to ensure the assistance is fit for purpose and meets local needs. The ASG will assess the contribution each project is likely to make to Partnership strategic outcomes to inform decision making. | ASG            | On evaluation and commencement of each project | Min                            | Unlikely   | Low         |

| Risk  | Existing Controls   | Risk Rating with existing controls in place |            |             | Is this acceptable (y/n) | Further Possible Mitigation Measures in the design of the integrated program  | Responsibility | Implementation Date | Residual risk after mitigation |            |             |
|---|---|---|------------|-------------|--------------------------|---|----------------|---------------------|--------------------------------|------------|-------------|
|   |   | Consequence                                 | Likelihood | Risk Rating |                          |   |                |                     | Consequence                    | Likelihood | Risk Rating |
| Gender equality, social inclusion and disability inclusiveness are not mainstreamed or adequately considered. | The ASG commissioned a Gender and Social Inclusion Strategy | Mod   | Likely     | High        | N                        | The ASG will implement the Gender and Social Inclusion strategy and work with all sub-projects on mainstreaming key principles to achieve gender and social inclusion outcomes, where relevant. | ASG            | 2017                | Min                            | Possible   | Mod         |

## Risk Rating System

| Likelihood     | Consequences |          |          |           |           |
|----------------|--------------|----------|----------|-----------|-----------|
|                | Negligible   | Minor    | Moderate | Major     | Severe    |
| Almost Certain | Moderate     | Moderate | High     | Very High | Very High |
| Likely         | Moderate     | Moderate | High     | High      | Very High |
| Possible       | Low          | Moderate | High     | High      | High      |
| Unlikely       | Low          | Low      | Moderate | Moderate  | High      |
| Rare           | Low          | Low      | Moderate | Moderate  | High      |

## Descriptions - Likelihood

| Likelihood     | Description   |
|----------------|---|
| Almost Certain | <i>Expected to occur in most circumstances</i>  |
|                | <input type="checkbox"/> Has occurred on an annual basis in DFAT/AusAID or in similar agencies/organisations in the past              |
|                | <input type="checkbox"/> Circumstances are in train that will cause it to happen  |
| Likely         | <i>Will probably occur in most circumstances</i>  |
|                | <input type="checkbox"/> Has occurred in the last few years in DFAT/AusAID or has occurred recently in similar agencies/organisations |
|                | <input type="checkbox"/> Circumstances have occurred that will cause it to happen in the next few years                               |
| Possible       | <i>Might occur at some time</i>   |
|                | <input type="checkbox"/> Has occurred at least once in the history DFAT/AusAID or in similar agencies/organisations                   |
| Unlikely       | <i>Not expected to occur</i>  |
|                | <input type="checkbox"/> Has never occurred in DFAT/AusAID but has occurred infrequently in similar agencies/organisations            |
| Rare           | <i>May occur only in exceptional circumstances</i>  |
|                | <input type="checkbox"/> Has not occurred to date in DFAT/AusAID or any other similar agency/organisation                             |

## Descriptions - Consequences

| Consequence | Description  |
|-------------|--|
| Negligible  | <input type="checkbox"/> Result in consequences that can be dealt with by routine operations |
| Minor       | <input type="checkbox"/> Minor delays in providing services or achieving objectives          |

| Consequence | Description   |
|-------------|---|
|             | <input type="checkbox"/> Threaten the efficiency of effectiveness of some aspect of the program/activity/business unit but can be dealt with internally<br><input type="checkbox"/> Have minor political/community sensitivity<br><input type="checkbox"/> Minor dissatisfaction of clients/beneficiaries, partners or other key stakeholders<br><input type="checkbox"/> Program/project/business unit suffers minor adverse financial impact<br><input type="checkbox"/> Minor breach of public sector accountability requirements<br><input type="checkbox"/> Minor damage to property or one minor injury   |
| Moderate    | <input type="checkbox"/> Moderate delays in providing services or achieving key objectives<br><input type="checkbox"/> Program/activity/business unit subject to unplanned review or changed ways of operation<br><input type="checkbox"/> Have moderate political/community sensitivity resulting in limited adverse publicity or criticism<br><input type="checkbox"/> Limited dissatisfaction of clients/beneficiaries, partners or other key stakeholders, moderately damaging DFAT's reputation<br><input type="checkbox"/> Program/project/business unit suffers moderate adverse financial impact<br><input type="checkbox"/> Moderate breach of public sector accountability requirements or information security<br><input type="checkbox"/> Moderate damage to property<br><input type="checkbox"/> One serious injury or multiple minor injuries |
| Major       | <input type="checkbox"/> Major delays in providing services or achieving key objectives<br><input type="checkbox"/> Threaten the survival or continued effective function of the program/activity/business unit<br><input type="checkbox"/> Have major political/community sensitivity resulting in significant adverse publicity or criticism<br><input type="checkbox"/> Significant dissatisfaction of clients/beneficiaries, partners or other key stakeholders, significantly damaging DFAT's reputation and relationships<br><input type="checkbox"/> Program/project/business unit suffers major adverse financial impact  |

| Consequence | Description   |
|-------------|---|
|             | <input type="checkbox"/> Major breaches of public sector accountability requirements, legislative/contractual obligations or information security   |
|             | <input type="checkbox"/> Major damage to property or moderate damage to multiple properties   |
|             | <input type="checkbox"/> One life-threatening injury or multiple serious injuries   |
| Severe      | <input type="checkbox"/> Critical business failure resulting in non-achievement of key objectives   |
|             | <input type="checkbox"/> Program/activity/business unit subject to unplanned external review/inquiry  |
|             | <input type="checkbox"/> Have severe political/community sensitivity resulting in extensive adverse publicity or criticism  |
|             | <input type="checkbox"/> Extensive dissatisfaction of clients/beneficiaries, partners or other key stakeholders, severely damaging DFAT's reputation and loss of stakeholder and/or Government confidence in or support of DFAT |
|             | <input type="checkbox"/> Program/project/business unit suffers severe adverse financial impact  |
|             | <input type="checkbox"/> Severe breaches of public sector accountability requirements, legislative/contractual obligations or information security  |
|             | <input type="checkbox"/> Extensive damage to property resulting in loss of property or major damage to multiple properties  |
|             | <input type="checkbox"/> One death or multiple life-threatening injuries  |