

# Evaluation of the Implementation of the Paris Declaration

## Country Evaluation

### INDONESIA

## Executive Summary

### 1 Scope of the evaluation

Indonesia is a signatory to the Paris Declaration on Aid Effectiveness, and has committed to the aid effectiveness principles and commitments contained in the Declaration. As participant in several High Level Forums on Aid Effectiveness the government is committed to take forward the Accra Agenda for Action as well as other declarations on financing for development.

The joint evaluation on the Paris Declaration was decided in the effort to look into the implementation of the Paris Declaration, in addition to survey-monitoring. The first phase of the Evaluation ran from March 2007 to September 2008, looking at inputs and early outputs. It was designed and used to deliver practical lessons and help take stock of implementation performance at the 3<sup>rd</sup> High Level Forum on Aid Effectiveness held in Accra, Ghana in September 2008. The second phase of the evaluation should run starting from the 3<sup>rd</sup> High Level Forum in 2008 up to the 4<sup>th</sup> High Level Forum in Korea in 2011. This second phase gives emphasis on outcomes and results and offer answers to the critical policy question of whether the intended long-term effects of the Paris Declaration are being achieved.

Indonesia did not participate in the first phase of the evaluation, but in the second phase. The aim of the evaluation is to document, analyse and assess the relevance and effectiveness of the Paris Declaration in Indonesia and its contribution to aid effectiveness and ultimately to development results, including poverty reduction.

Specific objectives include:

- a. to document the results achieved in the country through implementing the Paris Declaration;
- b. to enable the partner countries and donors/agencies active in the country to clarify, improve and strengthen policies and practice consistent with the Paris Declaration in pursuit of aid effectiveness and development effectiveness;
- c. to highlight barriers and difficulties that may have limited the effectiveness of the Paris Declaration and its effects and impacts – and ways that these barriers and difficulties may be overcome;
- d. to enable sharing and exchange of experience among stakeholders, countries and partnerships so as to facilitate reflection, lesson-learning and policy improvement.

### 2 Findings

#### Relevance of Paris Declaration

- Indonesia's development situation and context is that it demands more funding than what the country could provide by itself, more expertise and trained manpower than what it currently possesses, as well as better management of resources and programs. There are still programs that are implemented without sufficient involvement of the government (lack of ownership), lacking of transfer of knowledge, and only accountable to their own government.

Natural (tsunami and earthquake) and man-made (flood and landslide) disasters clearly put pressure on allocation of resources for development activities. The government has to balance between sustaining development activities and redirecting funds to help disaster victims. Eradication of corruption adds another challenge to ensure development funds are not drained out. Although financial management the government improved from disclaimer in 2004 to qualified opinion in 2009, index of corruption remains low.

All facts above potentially divert limited development funds allocated by the government. In combination with a yearly budget deficit and financing gap as reported by UNDP and UNFPA, aid could be considered a source of funds for the government to sustain development activities. Effective aid management is also paramount in ensuring that the country does not fall into a “perish” country because of debt coupled with slow achievement of MDGs, the government needs to manage all resources available, foreign aid included, in ensuring that development programs are designed and implemented effectively. It is simply obvious that the Paris Declaration has significant relevance to the Indonesian context.

- The Paris Declaration was declared at a time when the government began efforts on managing aid better. The Paris Declaration is a useful and instant management guidance that the government could use to improve management of development activities, in particular toward aid effectiveness. However, the Paris Declaration did not have any effect on the way the government place efforts toward aid effectiveness until the Jakarta Commitment was signed. This is mainly because the government has placed many efforts in managing aid better by reviewing and enacting several laws on management of aid, procurement systems and anti corruption.

The Paris Declaration is implemented in coordination between the government and development partner after the signing of the Jakarta Commitment in 2009. Under the facilitation of the Aid for Development Effectiveness Secretariat (A4DES), the government and development partners have been collaboratively working on several issues on furthering aid effectiveness. Three working groups, Monev, PFM, and Procurement have produced results that could be used by the government to further strengthen aid effectiveness. Development partners have also placed efforts in collaboration among themselves on harmonising their aid, and adjusting their country strategic directions in an effort to align with Indonesian strategic direction.

### Implementation of Paris Declaration

- **Ownership.** Thanks to a group of relevant high ranking officers and their respective staff in Bappenas and MoF

ownership has progressed positively at varying degrees. This enthusiasm, however, has not necessarily been fully shared by most other ministries.

The government’s ownership is shown by clear RPJMN in its direction for development. The process of civil society participation in development activities has improved, since people of Indonesia enjoy their democratic environment. The signing of the Jakarta Commitment and active participation in the working group under A4DES activities show development partners’ commitment to all advancing government ownership.

- **Alignment.** The alignment principle to some extent has been enhanced and accelerated through the establishment of A4DES. Some development partners responded positively by participating and supporting several activities of the working groups. While the process of strengthening local systems and procedures continues, several major development partners have adjusted their policy to allow using local systems and procedures.

Under the current situation, the government feels that unlike multilaterals most bilateral aids still have ties with certain conditions. There has also been an opinion among the government officers that they have less power during negotiations which does not reflect equal partnership. Some development partners place conditions in the agreement, because they are accountable to their stakeholders and expect to have quality aid.

- **Harmonisation.** Harmonisation is another hard principle to implement. Every development partner has its own mission to carry out, and it may significantly differ from others. Having such challenge, the current quality of harmonisation could be considered a significant achievement.

Several development partners have shown their commitment and take actions to work in collaboration among their peers at program level. The government’s leadership quality in coordination has improved according to some development partners. Still, the government has not been proactive enough in leading strategic coordination and thereby use development partners’ comparative advantages.

- **Development results.** Collaborative management of the monitoring and evaluation aspect of development results has not moved as expected. The government still focuses more on evaluating achievements of sectors which takes place yearly. Development partners tends to evaluate their development programs (i.e. grant) against the programs’ defined targets. In particular, monitoring of bilateral off-budget programs has been fully program focused and managed directly by the respective implementing agencies.

A recent joint monitoring and evaluation between MoNE and the World Bank could serve as an appropriate sample of improved collaboration between the government and development partners. Both parties have developed and agreed upon a common set of development results – outputs and outcomes of BOS Program that contribute to education sector goals. Another sample is collaboration between the government and JICA in conducting several joint monitoring and evaluation of Japan ODA funded project in Indonesia.

- **Accountability.** By law, the national and local parliaments have been given the authority to approve and disapprove the annual national and regional budgets. Civil society organisations have been active in monitoring the utilization of funds and evaluate development performance against the agreed targets. The government has jointly carried out monitoring of loan performance with development partner, which helps the government to present comprehensive budget reports to communities and other stake holders. As part of improving accountability, BPK and BPKP are active in conducting development program audits. Under several aid agreements, audit of BPKP is added as an obligation to the government.

The many changes in government rules and regulations aimed at reducing misuse of development funds by, both government and development partners, that have been introduced and put into effect have reportedly demonstrated effects that indicate a reduction in corruptive practices.

### Contribution of Paris Declaration to Aid Effectiveness and Development Results

- The Paris Declaration has obviously raised awareness among groups in the government and development partners of the importance of aid effectiveness. It is a foundation for the government and development partners to collaboratively pursue better aid effectiveness and development results. There is clear indication of direct contribution made because of the Paris Declaration, where the principles are integrated into a nation wide program.
- When integrated into national development efforts like the MDGs, the Paris Declaration will have a significant and long-term contribution on aid effectiveness.
- Despite a relatively small proportion of aid in the national development program budget, aid has helped the Government of Indonesia continuously by allocating appropriate quantity and quality of resources.

### Effect of Paris Declaration Implementation

- **Management practices.** There have been some effects of Paris Declaration on ODA loan management. The government has managed loans better. The mechanism

facilitates the government to have multi-year loan commitments from development partners and to predict the amount of aid in a particular period of development.

Further in an attempt to perform better in aid management, the government arranges a regular coordination monitoring on performance of loan with technical ministries involving development partners, The Central Bank, BPKP and MoF. Such aid coordination allows the government to minimize risks of poor performance of loan absorption.

Unfortunately, many grants have been operated with less compliance to the Paris Declaration. The Government of Indonesia is very concerned with such a mode of operation, with partly because of poor coordination among the government and development partners. The government and development partners require additional resources to rearrange such grant mode of operations. A new mode of cooperation has to be defined jointly by the government and development partners to respond the government's concern or assessing the existing mode of cooperation, such as KHPPIA and must adjust to accommodate different interests.

- **Policy reforms.** Policy reform tends to sustain, since there are still gaps between local systems and procedures with the international. For example: gaps on fiduciary systems and there is a demand for better public financial management. This sustain policy reform is obviously a burden to the government.

### Key Implications

- Aligning procurement systems appears to be a tough target. It requires significant amount of resources to achieve and involvement of high level decision makers at Headquarters level. Targets under the Paris Declaration are hard to achieve, unless there is a political will from development partners to adopt local systems and procedures.
- The government and development partners may face problems when allocating appropriate resources. Coordination is necessary. For example: Accountability to the public requires a constant flow of information from development partners on aid disbursement to the government, which requires a significant amount of resources. On the other hand, the government needs to allocate enough resources to manage and organise the information from development partners. Staff needs to balance between implementing and monitoring program implementation for good results and managing information to show accountability.
- Indonesia is prone to natural and man-made disasters that affect people's lives severely. Climate changes may also have similar effects to people's lives. Together they

will definitely put pressure on the government to judge between development activities and emergency aid. Having limited resources, the government will continuously rely on foreign aid to respond to emergency needs.

Under emergency situations, aid effectiveness may be overlooked when responding to urgent needs of disaster victims. The government and development partners have to develop and agree on a system applicable for emergency as a rule if both parties will strive for aid effectiveness.

- Paris Declaration implementation needs cooperative efforts and mutual trust between government and development partners. However, this expected behaviour does not take place. Implementation of Paris Declaration nowadays shows an urgent need for more committed staff. Coordination and mutual works can not do without competent staff. A4DES is a good action taken by the government with support from several development partners. Still, requirement of competent and dedicated government officers who could intensively support and provide guidance to the Secretariat is paramount.

### 3 Recommendations

- **Putting Policies into Practices.** There are many regulations that the government has enacted to ensure that national development brings fruitful benefit to the people of Indonesia. RPJMN has priority of development and emphasize pro-poor, pro-growth, pro-job and pro-environment. However, the national budget does not reflect strategic directions that the government place in its RPJMN. The government is strongly recommended to reform its budgeting approaches allowing for more funds allocated to less developed regions or enclaves within better regions, and to sectors that enhance achievement of MDGs. Increased budget allocations also mean increased accountability, whereby the government has to place resources to apply results-based monitoring as mandated under the Government Regulation No. 54/2006.
- **Strengthen National Wide Program.** WSSLIC, PNPM and BOS Program are some examples of strong national development programs within the health and education sectors respectively. The three programs suggest that the government and development partners need

to work closely with program implementation. When aiming at aid effectiveness, development partners are strongly recommended to integrate grant funded programs into regional and/or national wide programs and insist that the government implements the program with less assistances.

An exit strategy should be developed and agreed by the government and development partners to put time lines for gradual phase-out of technical assistances and phase-in of the government to continue the program. The exit strategy allows the government to plan to allocate sufficient human and financial resources – number of staff working as counterparts, period of involvement to allow carrier development, time for allocating budget for matching funds. It helps development partners in effectively placing technical assistance and leveraging coverage to wider regions from limited resources.

- **Reducing Number of Development Partner through Harmonisation.** More donors and more projects could harm the recipients' capacity to govern. The statement challenges the Government of Indonesia to choose between having more or less development partners. The government could have more development partners, but coordinate only with few development partners through aid harmonisation. The government is recommended to consider harmonising aid, thus enabling effective use of limited resources by the government. For example: Development partners with aid below a certain level are encouraged to harmonise its aid and operate in partnership with larger development partner(s).
- **Combining A4DES with KHPPIA Mode.** A4DES and KHPPIA are two cooperation modes in compliance with the Paris Declaration. The Government of Indonesia is strongly recommended to take into account the two modes of cooperation as instruments/vehicles, in ensuring aid effectiveness is achieved. The Government of Indonesia, as recipient country will benefit from an increase of national program coverage and/or the strengthening of national program implementation that is accountable to the people of Indonesia. If adopted, the government and each development partner require only (at least) one competence staff to work collaboratively and representing each party. Thus, staff draining will be minimized, in particular the government's side.