

JAKARTA COMMITMENT: AID FOR DEVELOPMENT EFFECTIVENESS

INDONESIA'S ROAD MAP TO 2014

*Government of Indonesia
and its
Development Partners*

Indonesia and the international aid architecture

As a middle-income country with a population of around 230 million, Indonesia faces a distinctive set of challenges relating to aid, and more broadly to development effectiveness. The Government of Indonesia's relationship with international aid agencies is changing; the financing mechanisms at its disposal are taking new forms; and its development cooperation with other low and middle income countries is being further articulated. Given the country's development successes and its position as a large Middle Income Country, Indonesia has a strong contribution to make efforts at improving the international aid architecture for all recipients including both Low Income Countries (LICs) and Middle Income Countries (MICs).

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. Indonesia has been an active participant in the regional preparations for the Third High Level Forum on Aid Effectiveness, including through engaging with global mechanisms (including the OECD DAC) and through dialogue with other countries in the Asia region. The Government is committed to take forward the Accra Agenda for Action as well as the Monterrey Consensus and the subsequent of the 2008 Doha Declaration on Financing for Development.

Indonesia's development challenge

Notwithstanding the progress made so far, Indonesia continues to face significant development challenges, especially in the areas of poverty reduction, service delivery and decentralisation. Poverty rates have fallen to 16.6% in 2007, yet large numbers of Indonesians remain poor and vulnerable - in 2007 nearly 50% of Indonesia's population had per capita consumption levels of less than a third above the poverty line. Regional disparities are a key feature of poverty in the country, given the vast size and varying conditions in different parts of the country, and pockets of endemic poverty still remain. Further effort is still needed for Indonesia to meet all the MDG targets. The implementation of decentralisation remains complex and continues to pose challenges. Improving public financial management and strengthening the accountability of local governments will be essential in order to increase the impact of public spending.

The main constraint facing Indonesia in addressing the challenges and achieving its planned development outcomes is not merely the lack of financial resources but rather the utilization of the resources. Hence, there is a need as well as a challenge to translate the existing resources into better development outcomes. Indonesia's overarching concern is to maximise the effectiveness of all its resources committed to development, including external assistance. It is in this context that the aid effectiveness agenda becomes particularly relevant. External assistance is not simply a financial supplement to domestic resources, but complementary to these resources - playing a catalytic role in allowing Indonesia to access international knowledge and best practice, to enhance institutional capacity, and bring about strategic systems improvements.

The Indonesia Roadmap to strengthen aid for development effectiveness

We have therefore established a roadmap to strengthen our aid effectiveness agenda – moving towards improved development effectiveness. The roadmap will respond to the above challenges, and support Indonesia's efforts to **maximise the effectiveness of its aid in support of development**.

This roadmap defines the policy direction towards development effectiveness up to 2014 and beyond. An attached matrix of priority actions identifies the key actions that will be taken in the short term, by 2010, to move forward on the implementation of the Paris Declaration based on the results of the Paris Declaration Monitoring Survey, 2008. We will establish an Aid Effectiveness Secretariat in BAPPENAS using our own resources and those of our development partners - particularly tapping their technical support to help us move forward together on this important agenda of enhancing development effectiveness in Indonesia.

This roadmap sets out the strategic vision that we, along with our development partners, wish to commit, to based on the key pillars of our development effectiveness agenda. The agenda is based on the Paris Declaration principles and the Accra Agenda for Action commitments and develops a model for delivering development effectiveness in a Middle Income context.

I. Strengthening Country Ownership over Development

a) Strengthening capacities and using stronger government systems

The need to develop effective capacity is at the heart of Indonesia's development challenge, whether it be at the institutional, organizational or at the individual levels.

The Government and development partners are all deeply engaged with this agenda, but results have so far been uneven. Indonesia looks to its development partners for continued capacity development support. Development partners agree that all their interventions have some element of capacity development embedded within them. In order to enhance capacity, the **Government will articulate, and development partners will support the achievement of, capacity development objectives and targets within sector plans and thematic strategies**, including skills and human resources development, organisational level capacity development as well as the creation of an enabling environment. We also propose to make capacity development a results area within different sectors to ensure adequate attention and follow-up.

Development partners will align themselves more fully with the Government programmes and systems. Development partners will align their programming cycles with those of government, use the government format for reporting their assistance, and increasingly use government's financial management and procurement systems. Where they do not make use of systems, **development partners will transparently state their rationale for not using government systems and indicate how they will work with the Government (including through capacity development) to align in the future.** In the spirit of partnership, we will also encourage development partners to fully, sincerely and transparently untie their aid.

The Government will establish a mechanism at country level to determine, and to review, how effectively the Government and development partners can and do contribute to capacity development. This mechanism will be transparent and evidence-based, involving country level stakeholders, and covering the range of capacity development partners. The Government and development partners will make use of this mechanism to monitor, measure and potentially correct the effectiveness of their support to capacity development.

b) Improving the international governance of aid and strengthening south-south cooperation

Using its experience and its active participation in the governance of international aid organizations, global foundations and funds, as well as its strong network of relationships with other countries in the region and globally, the **Government commits to work to strengthen the international aid architecture** in ways that enhance its responsiveness to Indonesia's needs as well as to those of other developing countries. **Development partners will support the Government in this endeavour.**

As an emerging middle-income country with considerable development success, Indonesia has much to share with other countries in the region, and beyond, as well as opportunities to learn. Already involved in numerous elements of South-South cooperation for capacity development, the **Government of Indonesia and development partners commit to further strengthening regional processes and institutions facilitating South-South cooperation**. Efforts at South-South Cooperation will through time expand to include possibilities for financial assistance as well technical support from the Government of Indonesia.

II. Building More Effective and Inclusive Partnerships for Development

a) Developing a new partnership paradigm

Indonesia places a high value on the development resources that its partners contribute to the development of the country. Today, the importance of external assistance for Indonesia is not a function of its volume, but rather of its quality and effectiveness – **development partners will continue to seek to find creative solutions to Indonesia’s development challenges, making new knowledge and international best practice accessible**. Development partners will align their strategies for providing development assistance to Indonesia within this new paradigm. **Development partners commit to providing all their development assistance to Indonesia based on country demands**. Development partners will review their implementation modalities and the mix of skills that they can make available at the country level in relation to these objectives of knowledge transfer as well as financial transfer.

b) Strengthening existing aid instruments and shaping new ones

Multi-donor trust funds have emerged as an important vehicle for development partners to support Indonesia’s development - ranging from large multi-donor trust funds established to implement reconstruction programmes, capacity building activities and targeted development interventions such as the Multi-Donor Fund for Aceh and Nias, the Decentralization Support Facility and the Indonesian Partnership Fund for HIV/AIDS, to quite small and ad hoc trust funds to support very specific activities. These trust funds have enabled development partners to respond flexibly and rapidly to Indonesia’s priority needs including providing assistance at the sub national level, supporting policy and institutional reforms, effectively responding to unanticipated needs such as post-disaster reconstruction and recovery efforts, and research and analysis. They have in some respects supported a programme based approach to aid delivery.

While the Government supports the multi-donor support modality in principle, it recognizes that in some cases it may not necessarily contribute to convergence of ideas on critical development issues, nor even support the alignment and harmonisation agenda and the government’s own interventions. This is especially so if the activities are executed by the development partners and the funding is not incorporated in the government’s budget. In using this the multi-donor support modality, the **Government and development partners will move away from project based approaches towards programme based approach**, supporting government programs and linking the priorities of Bappenas, Ministry of Finance, and concerned line ministries.

Within existing multi-donor support such MDTFs, the Government and development partners will work together to strengthen alignment with government systems, including as an immediate first step aligning with government reporting systems. **The government and development partners commit to reduce the number of ad hoc freestanding trust funds. The government will also issue clear-cut guidelines for the mobilisation and management of multi-donor funds**, and for the mainstreaming of multi-donor support program into government programming processes.

Given the scale of Indonesia’s development challenge its requirements for external assistance, and particularly technical assistance, are likely to continue over the medium term. The government will also seek to supplement the resources available for development and **Government will diversify its development resources to include alternative sources of financing for development** - including public-private partnerships, corporate social responsibility, global and domestic foundations, and trade and foreign investment.

c) Expanding dialogue to include new actors

As Indonesia continues to progress and consolidate its position as a Middle Income Country it will be working closely with its development partners, including the private sector and civil society, to support its development efforts and to sustain and further consolidate its position. Partners such as those involved in Public Private Partnerships, Corporate Social Responsibility programming and Global Funds and Foundations, as well as traditional development partners, are expected to participate in a regular dialogue led by government to discuss progress.

To this end, the **Government will propose a regular dialogue mechanism to provide a platform for discussion of the development agenda in line with the Jakarta Commitments**. A spirit of genuine partnership, engagement and joint responsibility will guide the Government when inviting participants from civil society, private sector and traditional development partners to participate in this dialogue. The proposed dialogue mechanism will be an opportunity to meet and discuss progress towards the achievement of the Paris Declaration indicators by 2010 and further to discuss the full implementation of the Jakarta Commitments by 2014. It is expected that a regular meeting will take place to take stock of the overall progress and challenges faced, but also that ad-hoc meetings can be organized as necessary if particular challenges are faced requiring joint high-level discussion.

Indonesia's need for external assistance will continue to decline through sustained and inclusive growth, the development of robust institutions, and the achievement of the Millennium Development Goals and other indicators of social and economic progress. In this context Indonesia will continue to have a strong relationship with its development partners. The need for dialogue and partnership will continue even after ODA is no longer an element of the relationship, in order to effectively and jointly address the challenges relating to global public goods, climate change, the environment, and strategic global security issues.

Indonesia will in time commit to providing assistance to countries in the region and beyond, and it will be important for Indonesia to adhere to these same principles of good 'donorship,' and bring the development wheel full circle.

III. Delivering and Accounting Development Results

a) Strengthening a focus on, and capacity to manage by, development results

As Indonesia moves forward with the preparation of its new Medium Term Development Plan (RPJM), a focus on outcomes and results will be further strengthened. The **Government will further develop, and development partners will further support, strong frameworks for measuring and monitoring results within the RPJM and linked sector plans**, as well as establishing social accountability mechanisms that solicit, monitor and ensure implementation of feedback on the government's performance. Results will be linked to performance measurement and organizational effectiveness.

Effective monitoring and evaluation are key elements of managing for results. We will strengthen our efforts to improve monitoring and evaluation (M and E), including basic data collection. The **Government will further clarify the institutional framework for M and E and development partners will reduce parallel efforts at monitoring national development targets**. A higher internal demand for M and E will be generated by involving national stakeholders in the review of implementation of the RPJM from a results perspective. Results-based M and E will be a powerful tool for ensuring the effectiveness of Indonesia's development policies and the delivery of tangible results by the government.

b) Working together to review progress across development partnerships

The Government will seek supports from development partners based on their comparative advantages in providing needed support, in the specific areas where the Government sees a critical need for that support, and establishing a clear correlation of the inputs with the expected results. To this end, development partners will also integrate results frameworks into their cooperation strategies and programs, shifting their internal incentives to focus on sustainable results (going beyond the project level) and developing results based reporting systems.

The Government and development partners will jointly carry out regular reviews on progress in implementing the commitments on aid for development effectiveness and improved development outcomes through an objective country level mechanism. To support the review of progress in the Jakarta Commitment and progress towards associated targets, the Government will establish an integrated Aid Information and Management System.

The Jakarta Commitment

The Government invites development partners to join this commitment towards development effectiveness, to adopt the principles of aid effectiveness as articulated in the Paris Declaration as adapted to Indonesia's country context, and to adopt the Jakarta Commitment moving forward with the implementation of this roadmap.

The Jakarta Commitment is to be based on the spirit of mutual respect, support and accountability. It represents a shared recognition between the Government and development partners to enhance the effectiveness of external financing in Indonesia. It enjoins upon the Government and development partners to make available appropriate resources, knowledge and capacity to implement the Jakarta Commitment. Whilst not legally binding, by agreeing to the Jakarta Commitment, all below development partners aspire to achieve the strong aspirations herein.

Annex 1 : Road Map Action Matrix

Principle and indicators	Target to 2010	Priority Actions	Stakeholders	Action Plan
<p>I. <u>Ownership</u></p> <p><u>Operational Development Strategies:</u></p> <p>National development strategy sets out clear and prioritized objectives for the country</p>	<p>The RPJM is clearly focused on priority objectives and these are translated into clear strategies and action plans.</p>	<p>1) Preparing next RPJM with clear targets and indicators with strong links to sector strategies</p> <p>2) The planning process reforms and improvements are continued, including the development of a well-defined borrowing strategy</p>	<ul style="list-style-type: none"> - BAPPENAS and MOF to coordinate line ministries on preparing action plan - Development partners to provide coordinated inputs and support to the specific actions 	<ul style="list-style-type: none"> - Strengthen project aid preparation based on PP No 2/2006 by 2nd quarter 2009. Conduct capacity building programmes in preparing aid starting from 2009 - Conduct policy dialogues to establish clear criteria for aid funding projects - Define resource envelope in RPJM and RKP through domestic and external resources - Establish borrowing strategy for the next RPJM

Principle and indicators	Target to 2010	Priority Actions	Stakeholders	Action Plan
<p>II. <u>Alignment</u></p> <p>Reliable public financial management system</p> <p>Country systems are strengthened and development partners increasingly use country systems</p>	<p>WB CPIA improves from 3.5 to 4.0</p> <p>Use of country PFM system increases from 70% to 76%</p>	<p>1) Integrate loan and grants in budget, in particular by improving guidelines for grant aid planning and implementation</p> <p>2) Strengthening and using country systems</p> <p>a) Ongoing efforts continue to consolidate the substantial progress in reform of PFM systems;</p> <p>b) Development partners develop 3-5 years roadmaps to guide their moves towards alignment of GOI financial management cycles procurement and audit systems</p>	<p>- BAPPENAS, MOF, line ministries/agencies to incorporate the action plan into the budget process</p> <p>- Development partners to provide supports to improve PFM system</p>	<p>- Improve grant preparation mechanism to be included in APBN by 2nd 2009</p> <p>- Finalize programmes architecture used for the next RPJM</p> <p>- Adjust the baseline allocation on the RPJM and RKP with 3 years rolling plan</p> <p>- Put resource constraint (baseline) for strategic and programme priorities with forward estimate</p> <p>- Establish next RPJM with clear targets and indicators for strategic priorities, and based on resource constraints</p> <p>- Prepare PBB and MTEF by end of 2009, and implement both starting from 2010</p>

Principle and indicators	Target to 2010	Priority Actions	Stakeholders	Action Plan
<p><u>Reliable procurement system</u></p> <p>Transparent, efficient and enforceable procurement system is developed and widely used</p>	<p>Procurement systems rating improves from C to B</p> <p>Increase utilization of of country procurement system</p>	<p>Strengthening country procurement system:</p> <ol style="list-style-type: none"> Ongoing efforts continue to strengthen the procurement systems, especially preparation and implementation of performance based budget and MTEF. Presidential decree number 80/2003 is being further improved prior to the drafting of the procurement Law Capacity development efforts are strengthened through capacity building programmes for public and private sectors, through training and certification, especially in decentralised context. 	<ul style="list-style-type: none"> Bappenas and LKPP (NPPA) to coordinate to strengthen the procurement system. Development partners to provide support for procurement capacity development 	<ul style="list-style-type: none"> Operate LKPP fully in 1st quarter of 2009 Model bidding documents and supporting manuals further developed Continue development of e-government procurement system Establish a Road Map toward 2010 to promote utilization of Keppres 80/2003 in implementing aid by 2nd 2009 Finalize draft of Procurement Law by end 2009 Conducting dialogues with development partners in developing 3-5 years Road Map

Principle and indicators	Target to 2010	Priority Actions	Stakeholders	Action Plan
<p><u>Aligning aid flows into national priorities</u></p> <p>Aid flows from development partners are predictable and well aligned with the GOI national plans and priorities;</p>	<p>85% of aid is recorded on budget</p> <p>Aid predictability increases from 70% to 85%.</p>	<p>Improving the information management and alignment of external assistance</p>	<ul style="list-style-type: none"> - BAPPENAS and MOF to coordinate improvement MIS - BAPPENAS, MOF, MOHA to prepare the government regulation - Development partners provide supports 	<ul style="list-style-type: none"> - Assess development partners strategies and proposed partnership programmes based on next RPJM by 1st quarter of 2010 - Review existing database systems and establish AIMS by 2010 - Develop regulation and mechanism to administer aid in APBN and APBD
<p>Strengthening capacity by coordinated support</p>	<p>Improving coordinated capacity building program</p>	<p>Setting up umbrella programs for capacity building in each Ministry/Agency covering strengthening or improvement of organizational capacity, development of human resources capacity and supporting capacity of facilities and infrastructure</p>	<ul style="list-style-type: none"> - BAPPENAS and MOF to coordinate capacity building programmes - Development partners provide applicable best practices and comparative studies 	<ul style="list-style-type: none"> - Establish umbrella programme for capacity building in 2nd quarter of 2010 - Implement capacity building programmes starting from mid 2009

Principle and indicators	Target to 2010	Priority Actions	Stakeholders	Action Plan
<p>PIUs are established and function fully in line with the needs and requirements of the GOI</p>	<p>Parallel PIUs reduced from 110 to 66</p>	<ol style="list-style-type: none"> 1) GOI and development partners prepare joint plan to phase out PIUs with parallel functions leading to the establishment of single PIUs at sector and sub-sector level; 2) A system is put into place to ensure strong government leadership 	<ul style="list-style-type: none"> - BAPPENAS to coordinate the preparation of phasing out plan of parallel PIUs - Development partners to reduce parallel PIUs for the implementation of their programmes/projects 	<ul style="list-style-type: none"> - Review existing practices on PIUs establishment by mid 2009 - Develop technical guideline to establish PIUs, and parallel PIUs phase-out plan by end of 2009
<p>Aid is untied</p>	<p>Development partners move towards untying aid at country level</p>	<ol style="list-style-type: none"> 1) Development Partners develop Action plan to untie their assistance to the extent possible. 2) Increase country ownership and alignment through more use of GOI procurement 	<ul style="list-style-type: none"> - BAPPENAS, MOF and NPPA to assess Development Partners' action plan - Development partners increasingly provide untied assistance 	<ul style="list-style-type: none"> - Review existing tied projects and exploring impacts for project effectiveness and efficiency by end of 2009 - Develop clear criteria for tied and untied aid by early 2010, and prepare untying plan by mid 2010 - Jointly assess mutual progress in implementing agreed commitments on untying aid action plan

Principle and indicators	Target to 2010	Priority Actions	Stakeholders	Action Plan
<p>III. Harmonisation</p> <p><u>Use of Common Arrangement</u></p> <p>Development partners harmonize their financial and technical supports for optimal development results</p>	<p>Development partners increasingly provide assistance through program-based approaches, increasing to 66% from the current 51%.</p>	<p>1) GOI continues to improve the MDSP approach as an effective program-based modality:</p> <p>2) The government strengthens its leadership role in the management of aid.</p>	<ul style="list-style-type: none"> - BAPPENAS and MOF to lead promotion and dissemination of MDSP - Development partners to harmonize financial and technical system to support MDSP 	<ul style="list-style-type: none"> - Review existing MDFs and develop guidelines for MDFs - Prepare plan toward MDSP and PBA - Conduct policy dialogues among donors to move toward MDSP and PBA
<p><u>Conducting Joint Mission and Analysis</u></p> <p>Development partners make efforts to reduce their missions</p>	<p>The percentage of joint missions increases from 13% to 40 %</p>	<p>1) Development partners coordinate their missions and align the schedule with national planning and budgeting cycle</p> <p>2) Development partners conduct mission for several projects at the same time</p> <p>3) Results of development partners' missions are widely shared</p>	<ul style="list-style-type: none"> - BAPPENAS to coordinate mission schedule - Development partners and Bappenas formulate purpose of their missions and schedule 	<ul style="list-style-type: none"> - Collect mission schedule by 2nd quarter of 2009 - Conduct policy dialogues with donors to establish coordinated mechanism for mission deployment - Develop AIMS to include mission tracking

Principle and indicators	Target to 2010	Priority Actions	Stakeholders	Action Plan
Development partners increasingly harmonize their country analytical work etc	The percentage of coordinated country analytical work etc increases from 45% to 66%	<p>1) Development partners provide coordinated plan on country analytical work, . In cases where needed, development partners seek increased coordination from the headquarters level to undertake joint analytical work at country level.</p> <p>2) Results of development partners' analytical works are widely shared</p>	<ul style="list-style-type: none"> - BAPPENAS and line ministries coordinate development partners analytical works - Development partners share plan and result of analytical works 	<ul style="list-style-type: none"> - Prepare mechanism to conduct joint analytical programme at country level based along with strategies in RPJM by mid 2010 - Establish sector based capacity building programmes to conduct joint analytical works starting from 2009
IV. Managing for Development Result				
<p>Result oriented frameworks</p> <p>Development interventions are strongly results focused: a transparent and monitorable Performance Assessment Framework is in place</p>	Improve M and E system to be more result oriented	<p>1) Strengthen the results orientation in national plan and in aid programmes, including results-based M and E system</p> <p>2) Develop capacity in key government agencies to develop M and E system</p>	<ul style="list-style-type: none"> - BAPPENAS, MOF, line ministries, sub national agencies to improve M and E system - Development partners to support for capacity development in this area 	<ul style="list-style-type: none"> - Prepare guideline for project implementation plan - Establish technical guidance for M and E - Enhance capacity to conduct result based M and E starting from 2010.

Principle and indicators	Target to 2010	Priority Actions	Stakeholders	Action Plan
<p>V. Mutual Accountability</p> <p>GOI and development partners conduct mutual assessment of development programmes to ensure mutual accountability</p>	<p>Improve mutual accountability</p>	<p>Develop a GOI-lead mutual accountability system.</p>	<ul style="list-style-type: none"> - BAPPENAS, MOF, line ministries to coordinate assessment of development programmes and results - All development partners support assessment of development programmes and results 	<ul style="list-style-type: none"> - Conduct comparative studies from other countries - Conduct dialogues with donors to implement mutual accountability

Annex 2 – Coordination mechanism for Indonesia’s Roadmap for aid effectiveness

**Coordination Mechanism for
Indonesia’s Road Map for Aid Effectiveness**

