Annex C: Field visits to Indonesia and Senegal

As part of the peer review of Japan, a team of examiners and the OECD Secretariat visited Senegal in December 2013 and Indonesia in February 2014. The team met Japanese development co-operation professionals, partner country civil servants, regional authorities, parliamentarians, other bilateral and multilateral partners, representatives of civil society organisations and the private sector.

Towards a comprehensive Japanese development effort

Japan is a valued and effective development partner

Japan is a valued development partner in both Indonesia and Senegal. It is demonstrating that it can contribute to development in partner countries, using both ODA and other resources. This support is well aligned with the priorities of those countries and well organised.

Japan has employed economic diplomacy as a central instrument of its foreign policy and quest for national security since the post-war period. Globalisation and shifting power balances have encouraged Japan to adopt more proactive diplomacy in Asia and around the world. ODA, a key diplomatic tool for Japan, plays an integral part in this context as the review team observed during its visits to both Indonesia and Senegal.

Indonesia: a strategic partner for Japan

Japan has a close and long-standing relationship with Indonesia, Southeast Asia's biggest economy and its only G20 member. Japan sees "stability of Indonesia is indispensable to the stability and prosperity of the whole of Asia, including Japan" (MOFA, 2012a) and has close relations with the country in a wide range of areas, including through signing of the Japan-Indonesia Economic Partnership Agreement in 2007. Japan is the largest trade partner in both export and import for Indonesia. Japan is also Indonesia's largest source of foreign direct investment.[1]

Japan has significant private sector interests in Indonesia. There are over 1000 Japanese-affiliated companies operating in Indonesia, employing some 300 000 workers.[2] Indonesia is also an important supplier of energy and other natural resources to Japan. It is in the interest of Japan to support Indonesia create a better business and investment environment and achieve economic growth. As the largest donor to Indonesia, Japan strategically uses its ODA as a catalyst to leverage private sector investments, particularly in the area of infrastructure development co-operation (Box C.1).

There is regular dialogue between Japan and other actors such as Japanese private sector, JETRO and JBIC. It is not clear, however, what approaches Japan uses to ensure and maximise the sustainable development impact of private sector investments that are catalysed by Japanese ODA. Indonesia would appear to be well suited to the Expanded ODA Task Force mechanism, which is inclusive of Japanese non-governmental actors, in the interest of ensuring stronger private sector awareness of and engagement with the goals and objectives of ODA.

Box C.1 Japan's support to infrastructure development in Indonesia

In 2010, Japan and Indonesia agreed to implement a comprehensive infrastructure development plan to establish the Metropolitan Priority Area for Investment and Industry (MPA) in Jakarta Metropolitan Area by 2020. JICA funded the MPA Master Plan study which laid out the overall plan on infrastructure development (at an estimated total cost of JPY 3.4 trillion, of which roughly one trillion yen to be financed by ODA) and specified 45 priority infrastructure projects (including 18 fast track projects to be implemented by the end of 2013). The plan is built on the PPP concept and includes various JICA projects: the North-South line by the Jakarta Mass Rapid Transit System (country's first subway); the Java-Sumatra Interconnection Transmission Line to supply electricity to the metropolitan area; and the improvement of the Pluit pump station facilities to contribute to flood control in Jakarta. Feasibility studies are also under way to formulate projects on the development of Cilamaya Port as a new port on the eastern side of the metropolitan area and the improvement of roads, railways and wastewater systems in the metropolitan area. The private sector was very much involved in the designing of the Master Plan - a joint venture consisting of 11 Japanese companies and consulting firms participated in the study as team members.

Senegal: a regional hub for Japan

In contrast to Indonesia, Japan's engagement in Senegal appears to be of a more diplomatic than economic nature. While Japan regards Senegal as one of its key strategic partners in the region and for its Africa policy (MOFA, 2012b), there is very little Japanese investment in the country. There were eight Japanese-affiliated companies operating in Senegal. However, given its natural advantages such as geography (as an important hub for regional trade and economic activities in West Africa) and a stable security situation, Japan is putting more emphasis on creating a beneficial climate for investment and business in Senegal and for stimulating private investment from Japan to West Africa.

To this end, the Japanese government appointed a former head of the French branch of Mitsui & Co. Ltd., one of Japan's biggest conglomerates, as its new Ambassador to Senegal in September 2013. This decision might be seen as an indication of Japan's intention to boost economic diplomacy in the country, including through the use of ODA and through leveraging private investments.

Japan's policies, strategies and aid allocations

Japan's long-standing relationships and support

Japan has a close and long-standing relationship with Indonesia and has provided development co-operation since the 1950s. Japan provided on average USD 1.3 billion as ODA between 2010 and 2011, and is the largest donor (in gross terms) in the country. Indonesia in turn is the second largest recipient of Japanese aid (after India). While Japan works in a wide range of sectors, the mainstays of Japan's ODA to Indonesia remains hard infrastructure assistance, funded predominantly by loans (88%). Between 2009 and 2012, Japan allocated more than USD 600 million in programme loans to Indonesia for its climate change programme, and more than USD 200 million towards the country's infrastructure reform sector programme. Japan actively engages with the private sector (both local and Japanese) and supports business development opportunities. Japan also actively supports Indonesia's South-South efforts through triangular co-operation.

Japan has provided development co-operation to Senegal since 1976. It is an important donor, ranking 6th largest in the country. It has provided on average USD 69 million as ODA between 2010 and 2011, and its support mainly focuses on hard infrastructure assistance; building productive capacity; health and education. Japan's aid programme in Senegal typically consists of project-type interventions and using a mix of grants and technical co-operation. There are no loan operations in Senegal. Senegal is designated as the hub for Japan's triangular co-operation efforts in the West Africa region. Japan also actively supports business development opportunities for the poor.

Japan is achieving strong alignment with partner country priorities

In both countries, Japan responds well to the country context and plans, whilst effectively and efficiently deploying its own comparative advantage.

Japan respects the Government of Indonesia's leadership and ownership, and positions itself accordingly. It has built, and maintains, strong relationships with a variety of actors. It is prominent in sectors where it has a comparative advantage, such as infrastructure and disaster management. In these sectors, Japan brings both policy advice and programme assistance. Support is strongly aligned to Government priorities and effectively draws upon Japan's own experience. It was not clear, however, how Japan systematically designs, monitors and evaluates its operations in Indonesia to maximise their impact on poverty reduction, even though Japan's analysis of the country context highlights the growing challenge of inequality and continued poverty. This draws attention to the lack of guidance on poverty reduction in Japanese development co-operation.

There is a strong convergence between Japan's own policy priorities, as reflected in the corporate policy documents and articulated in the Country Assistance Policy for Senegal, and those of the Government of Senegal. Japan has successfully reduced the number of sectors in which it works in Senegal and is delivering a more focused programme, with a poverty reduction orientation.

Figure C.1 ODA to Senegal and Indonesia

Senegal

Receipts	2009	2010	2011
Net ODA (USD million)	1 016	928	1 052
Bilateral share (gross ODA)	52%	59%	56%
Net ODA / GNI	8.1%	7.3%	7.4%
Net Private flows (USD million)	292	1	244

For reference	2009	2010	2011
Population (million)	12.1	12.4	12.8
GNI per capita (Atlas USD)	1 070	1 080	1 070

	Top Ten Donors of gross ODA (2010-11 average)	(USD m)
1	France	188
2	IDA	147
3	United States	108
4	EU Institutions	98
5	AfDF	80
6	Japan	69
7	Canada	59
8	Spain	41
9	Netherlands	28
10	Isl.Dev Bank	27

Bilateral ODA by Sector (2010-11)

Sources: OECD - DAC, World Bank; www.oecd.org/dac/stats

Panel B of Figure C.1

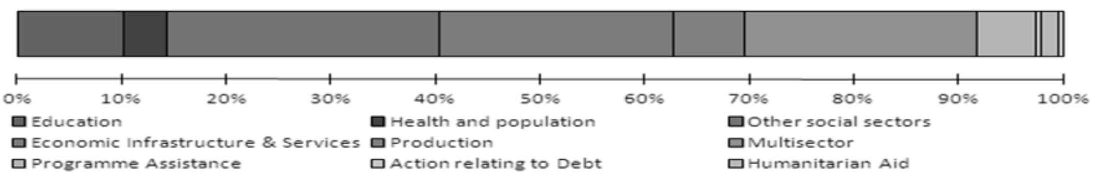
Indonesia

Receipts	2009	2010	2011
Net ODA (USD million)	1 047	1 393	415
Bilateral share (gross ODA)	79%	86%	84%
Net ODA / GNI	0.2%	0.2%	0.1%
Net Private flows (USD million)	4 435	3 512	10 259

For reference	2009	2010	2011
Population (million)	237.4	239.9	242.3
GNI per capita (Atlas USD)	2 160	2 500	2 940

Top Ten Donors of gross ODA (2010-11 average)		(USD m)
1	Japan	1 304
2	Australia	402
3	United States	263
4	Germany	199
5	France	191
6	EU Institutions	119
7	AsDB Special Funds	110
8	IDA	88
9	Global Fund	82
10	Netherlands	80

Bilateral ODA by Sector (2010-11)



Sources: OECD - DAC, World Bank; www.oecd.org/dac/stats

Japan is effectively using its aid instruments

Japan deploys its range of funding instruments effectively in both contexts. In Senegal, for example, we identified positive approaches to scaling up grant and technical co-operation interventions supported by Japan. As witnessed through their education programme, Japan has partnered with the Senegalese government in designing small scale pilots, and then leveraged finance from the World Bank to support subsequent scale-up.

In Indonesia, as Japan is phasing out its general grants scheme, the Government of Indonesia particularly values its ability to choose between various options in Japan's concessional lending. In addition, instruments deployed for disaster management response are quick and highly regarded.

In both countries, Japan's model of technical co-operation is robust and well executed. Behind this model is a focus on long term investments in capacity development and the transfer of knowledge. The skills and expertise that Japan brings through its programming is responsive to need. This model of technical co-operation is widely valued by partners.

Its aid is delivered more effectively, but Japan could show more leadership and openness

Japan is making progress in adhering to development effectiveness principles. In Indonesia, in an environment in which donor co-ordination is Indonesia led but appears fragmented, it is positive that Japan has entered into co-financing, budget support arrangements with other partners such as the World Bank and the Asian Development Bank. These appear to be well harmonised and efficient partnerships, using country systems.

In both countries, Japan has gradually moved towards more holistic, programme based approaches. This is welcomed and demonstrates that Japan is able to evolve its implementation in line with the aid effectiveness principles. Japan should also use this approach to identify weaknesses in, and build capacity in, country systems, jointly with other development partners. This was particularly the case in Senegal, where all stakeholders acknowledged weak country systems, but where donors were not co-ordinating well to build capacity.

In both countries, partners expressed a view that Japan could do more to convene and collaborate with development partners. Partners would welcome Japan's participation in more policy dialogue and for Japan to exert more leadership in their engagement. Japan is well positioned to do so in both countries, as the largest bilateral donor in Indonesia and lead donor in various sectors in Senegal. It could also be more open to supporting projects and programmes initiated or led by other partners.

In Indonesia, Japan has signed up to a mutual accountability framework, known as the Jakarta Commitment, with the Indonesian government and other donors to help Indonesia implement aid effectiveness principles at national level. In Senegal, however, it has opted not to participate in the government-donor Health Compact, although health is one of Japan's priority sectors for Senegal and one in which it is following a programme-based approach. Such mechanisms are especially important in an environment, like Senegal, where donor co-ordination and dialogue with the recipient government appears weak.

Box C.2 Donor co-ordination in Indonesia and Senegal

Indonesia and Senegal present highly varied contexts in relation to the engagement and co-ordination of development partners. In Indonesia, the government is firmly in control of co-ordination, with well-established systems and processes in place to manage partners. In Senegal, co-ordination is less well advanced. Development partners tend to be fragmented and largely singular in their approaches. There are several factors that help explain these differences between the two countries, including the capacity of government counterparts, the levels of reliance on official development assistance (see Figure C.1) and also the collective will or otherwise of partners to co-ordinate themselves.

In 2009, the Government of Indonesia produced The Jakarta Commitment: Aid for Development Effectiveness. This establishes a road map for the Government of Indonesia and its development partners to implement the Paris Declaration and the Accra Agenda for Action in Indonesia by 2014. It is a country-specific, time bound and monitorable action plan. An Aid for Development Effectiveness Secretariat was established within the Ministry of National Development Planning to ensure the government had the capacity to implement this action plan. Twenty six development partners adopted the Jakarta Commitment, pledging to better align to government programmes and increasingly use Indonesia's public financial management and procurement systems.

In order to improve the efficiency and effectiveness of external loans and grants and to achieve development goals as stipulated in Indonesia's National Medium-Term Development Plan, 2010-2014, the Government of Indonesia compiled a List of Medium-Term Planned External Loans and/or Grants, 2011-2014, otherwise known as the Blue Book. The Blue Book is used as a guideline for all stakeholders involved in the planning, preparation and implementation of development projects financed through external loans and grants. Together, the Jakarta Commitment and the Blue Book are symbols of the Indonesian government's leadership and co-ordination of development partners. They ensure demand driven programming, a division of labour and mutually accountable relationships. Development partners are respectful of the leadership shown by the government and, in this context, do not co-ordinate strongly amongst themselves.

A large number of donors are present in Senegal, including a growing number of non-traditional partners. Donor co-ordination is facilitated via the Development Partners Meetings (known as the G-50, currently co-chaired by the EU and US) and 20 thematic working groups. In addition, the Consultative Committee of Technical and Financial Co-operation Partners (known as the G-12) was established in 2009. The Committee functions as the Secretariat for the Development Partners Meeting, co-ordinates the different thematic working groups and shares information relating to aid co-ordination. The Government of Senegal is only selectively invited to these monthly development partner meetings. In the absence of other mechanisms for national level co-ordination, this does not appear to be an optimal arrangement for partners to be able to align behind government leadership and for building trust and accountability. It is resulting in a weak and largely informal division of labour and weakly harmonised programming.

The Government of Senegal is trying to exert more leadership over development partners, within the constraints of its own weak capacity. It has undertaken reforms to improve the management of public finances. The government acknowledges that country systems need strengthening and is making efforts towards this. At sector level, there are signs of strong ownership and good co-ordination mechanisms, such as the Compact of partners in the health sector aligned to the sector strategy. Partners should be supportive of the government's efforts to build on and replicate this sector level good practice at national level, reinforcing country systems and establishing inclusive mechanisms for dialogue.

Source: interviews held in Indonesia and Senegal.

Japan can do more to enable mainstreaming of cross cutting issues

JICA in both Senegal and Indonesia understands and uses guidelines issued by Tokyo on cross cutting issues. However, with the possible exception of the environment, this does not appear to prioritise strategic, policy level engagement on issues such as gender equality and governance. These issues are also not addressed by Japan through evaluations of all programmes. Having expertise available to the country office on cross cutting issues might enable Japan to maximise their impact and to mainstream those issues more effectively. On gender equality, in particular, both Senegal and Indonesia country offices will need guidance and capacity to translate the new policy commitment on women's empowerment into concrete objectives and deliverables in-country.

Organisation and management

Institutional co-ordination is working well, but Japan has further to go on decentralisa-tion

The institutional arrangements between the Embassy and JICA seem to be functioning well in both countries. The ODA Task Force in country is an effective mechanism for ensuring coherent and cohesive Japanese assistance. The respective roles of both organisations appear to be well defined and understood internally.

Since the last peer review of Japan, and as recommended, we identified some further decentralisation from Tokyo to the field. For example, in the health programme in Senegal, we observed some delegated decision making authority, some flexibility in programme management and the presence of skilled staff. However, across all operations in both countries, there appears to be the continued need to strike a better balance between HQ and field level roles and responsibilities. Partners perceive Japan to be rigid in its procedures and approval processes. Further decentralisation could have a positive impact on the effectiveness and efficiency of Japan's programme management.

The seniority of local staff in JICA in Indonesia is a positive example of the value attached to locally employed staff. Continued attention to making training available and accessible, across both MoFA and JICA, may further reinforce the value being attached to and derived from local staff contribution and skills. Relatedly, making information more quickly available to local staff, in the official working language of the country, would help maximise their contribution to Japanese assistance.

Partnerships, results and accountability

Japan is leading efforts on triangular co-operation

As observed in both Indonesia and Senegal, Japan actively promotes and develops capacity in South-South and triangular co-operation. Its efforts in this area in Indonesia have been strategic and innovative, helping to nurture Indonesia's ambitions to raise its international profile as a partner sharing its development knowledge. Japan's engagement in triangular co-operation from Senegal can also be viewed as part of a broad knowledge management strategy.

Country assistance policies are lacking indicators

There appears to be emerging good practice in Japan's results-based management in Indonesia. Indicators and targets are being established beyond the project level. However, as in Senegal, the Country Assistance Policy lacks indicators to enable Japan to measure the overall impact and performance of its contribution to the country's development priorities.

More support needed on evaluation

Guidelines on ex-ante and ex-post evaluation are being followed by both JICA and MoFA in Indonesia and Senegal. However, a more selective and needs-based approach, and more support from the centre, could increase the impact of country-level evaluations on decision making and organisational learning. Country staff would also appear to need more guidance on the distinctions between and respective roles of monitoring, review and evaluation.

Lack of guidance or policy for engaging local civil society

Local civil society in Senegal appears well organised and interested in deeper dialogue with donors and government. In this context, we got the impression that local civil society is not consulted on Japan's strategy and programming, and dialogue is limited. In addition, for small amounts of money, there appears to be high transaction costs and a lack of predictability in how the small grants schemes for local NGOs are managed and co-ordinated.

Japan engages local civil society in Indonesia. Local NGOs appreciate Japanese support and efforts to sustain relationships with them. As also identified in Senegal, however, there does not appear to be strategic objectives guiding Japanese engagement with local NGOs. It is not clear how JICA and MoFA are working together in their engagement with local civil society.

Notes

1. In 2013, Japanese investment in Indonesia reached USD 4.7 billion, nearly doubling from the previous year of USD 2.5 billion, and represented 16.5% of the overall foreign investment (excluding finance and petroleum industries). The growth in investment was driven by Japanese carmakers and auto-parts manufacturers. Japanese carmakers hold a roughly 95% share of Indonesia's car market, and are positioning themselves to meet the growing demand of Indonesia's burgeoning middle-class consumers.

2. "Huge opportunity from Japanese investment", 23 August 2010, Jakarta Post, www.thejakartapost.com/news/2010/08/23/huge-opportunity-japanese-investment.html.

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