
INDONESIA

INTRODUCTION

INDONESIA is a lower-middle income country with a gross national income (GNI) of USD 2 050 per capita (2009) which has grown at an average rate of 4% per annum since 2005 (WDI, 2011). It has a population of over 230 million, with in excess of 40 million people living under the 1.25 dollar-a-day income poverty line (WDI, 2011).

Indonesia's ongoing efforts to improve governance and capacity to effectively manage aid are encouraging, although the country still faces significant challenges in poverty reduction, provision of social services, infrastructure development and tackling corruption, amongst others. As a lower middle income country, Indonesia's access to highly favorable loan terms is declining.

Net official development assistance (ODA) to Indonesia in 2009 totalled USD 1 049 million (OECD, 2011). Since 2005, net ODA has averaged 0.4% of GNI (WDI, 2011). The top five donors contributed 73% of Indonesia's core ODA (OECD, forthcoming). ■

SUMMARY OF PROGRESS

PROGRESS ON THE PARIS DECLARATION INDICATORS depends on improvements by both donors and partner governments. Since 2007, 11 indicators have been measured consistently. For the 2011 Survey, 5 out of 13 indicators, have met the 2010 target (operational development strategies, aid on budget, co-ordinated technical co-operation; result-oriented frameworks, and mutual accountability) compared to four indicators which failed to reach the target.

The country has contributed to global targets in operational development strategies, results-oriented frameworks and mutual accountability. It scores highly on aligning aid to national priorities. Improvements in reliability of country systems are resulting in greater use of them by donors, and aid predictability has been enhanced.

The country has been rated for its operational development strategies for the first time this year with a B score, thus contributing to the global Paris Declaration target of B or A. For those indicators illustrating alignment, two met the target (aid on budget and co-ordinated technical co-operation), and one failed to do so (untied aid), while six other indicators did not have sufficient data or targets applicable. Overall, however, results show progress since 2007. Harmonisation has improved since the previous survey, but still falls behind the target. Result-oriented frameworks were evaluated for the first time and given a B score, contributing to the global target. Mutual accountability has improved since previous years with the recent establishment of a mutual accountability system and Indonesia has met the target.

While aid effectiveness challenges remain for Indonesia, significant progress is being made. In the spirit of the Paris Declaration, the Government of Indonesia has achieved a milestone since the last survey in negotiating and finalising the Jakarta Commitment of 2009 with 26 donors. ■

TABLE 1:
Baselines and targets
for 2010

	INDICATORS	2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational Development Strategies	--	--	B	'B' or 'A'
2a	Reliable Public Financial Management (PFM) systems	3.5	--	--	4.0
2b	Reliable Procurement systems	Not available	C	Not available	No Target
3	Aid flows are aligned on national priorities	--	70%	95%	85%
4	Strengthen capacity by co-ordinated support	--	60%	68%	50%
5a	Use of country PFM systems	--	71%	86%	No Target
5b	Use of country procurement systems	--	56%	70%	No Target
6	Strengthen capacity by avoiding Parallel PIUs	--	86	58	No Target
7	Aid is more predictable	--	25%	77%	No Target
8	Aid is untied	85%	94%	73%	More than 85%
9	Use of common arrangements or procedures	--	51%	61%	66%
10a	Joint missions	--	13%	17%	40%
10b	Joint country analytic work	--	45%	42%	66%
11	Results-oriented frameworks	--	--	B	'B' or 'A'
12	Mutual accountability	Not available	N	Y	Y

TABLE 2:
Learning from success
and challenges

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Ownership	Challenge: Continue to translate national development strategies into prioritised result-oriented operational programmes as expressed in annual and medium-term plans	Priority action: The government is to take the lead in co-ordinating aid at all levels to ensure it is in line with annual and medium-term plans
Alignment	Achievement: donors volunteer to use Indonesia's own institutions and systems, where these provide assurance that aid will be used for agreed purposes	Priority action: Work with donors to establish mutually agreed frameworks that provide a reliable assessment of performance, transparency and accountability of country systems
Harmonisation	Challenge: Failing to use programme-based aid modalities places additional workloads on the government	Priority action: Work together with donors to develop programme-based aid modalities, reduce the number of separate, duplicative, missions to the field and implement common arrangements for monitoring-evaluating and reporting
Managing for results	Challenge: Weak consistency on integrating donors' performance assessment frameworks with national development strategies	Priority action: Establish results-oriented reporting and assessment frameworks that monitor progress against key indicators of the national and sector development strategies
Mutual accountability	Achievement: Minimum use of participatory mechanisms for assessment through agreed commitment on aid effectiveness	Priority action: Strengthen participatory approaches by systematically involving a broad range of donors when formulating and assessing progress in implementing national development strategies

ABOUT THE SURVEY

THIS CHAPTER ASSESSES PROGRESS against the quantitative indicators provided by the Survey on Monitoring the Paris Declaration, drawing on data provided by the government and donors, the OECD and the World Bank. In addition to this, it draws on qualitative evidence submitted to the OECD by the national government which incorporates feedback from donors and other stakeholders. Stakeholders note that it is possible that in places definitions and concepts were interpreted differently by survey respondents in 2011 compared with previous years. A degree of caution should be taken when analysing the trends shown by some of the indicators.

The 2011 survey responses cover 25 donors and 94% of Indonesia's core ODA. This is the second time Indonesia has conducted the Survey on Monitoring the Paris Declaration, which it first carried out in 2007. For countries that do not have baseline data from 2005, some indicators do not have a target. The 2011 Survey on Monitoring the Paris Declaration was conducted by the National Development Planning Agency (BAPPENAS), with the UNDP acting as the donor focal point. ■

OWNERSHIP

AID IS MOST EFFECTIVE when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Indicator 1 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

In the 2011 Survey, Indonesia received an overall rating of B for ownership. In receiving a B score on operational development strategies Indonesia has contributed towards the 2010 global target for 75% of partner countries achieving a score of A or B for 2010.

No data are available from the previous surveys for this indicator, and therefore assessment of progress over time is not yet possible. Indonesia's national development strategy for the period 2010-2014 is the National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional /RPJMN 2010 – 2014) formulated in 2010 and is underpinned by the National Long-Term Development Plan for period of 2005-2025 (Rencana Pembangunan Jangka Panjang/RPJPN 2005-2025). The RPJMN outlines national medium-term priorities in 11 key areas. The RPJMN's targets form the basis for setting implementation targets in annual action plans at all levels of government, and serve as guidance for policy makers in line ministries and local government to ensure that annual development plans and targets are consistent with national and regional development plans. All eight Millennium Development Goals are also mainstreamed into the RPJMN. Indonesia has both a medium-term fiscal framework and a medium-term expenditure framework, and the RPJMN is costed through the translation of targets and priorities into government programmes and projects.

INDICATOR 1

Do countries have operational development strategies?

Participation in the formulation of the development strategy and budget process includes civil society and the public through the media. The Parliament is extensively consulted and has the final say in budget approval. Civil society organisations are involved on a routine basis alongside the government and the private sector in development planning consultations. Civil society and the media are also taking active roles in dialogue and reporting on government affairs. Government documents are available to the public through the internet and in printed form. The RPJMN is linked to priority allocations in the annual national budget process through an evolving rolling medium-term expenditure framework approach; a corresponding medium-term fiscal framework is also being developed.

Indonesia is developing a performance basis for its planning system, which will potentially link more closely with donor programme monitoring frameworks. The Government Work Plan for 2010 sets a series of targets associated with indicators. A range of donors have published country strategies that are aligned with the RPJMN priorities, and strategy formulation dialogue under the leadership of government is acknowledged by donors. Challenges remain to translate national development strategies into prioritised result-oriented operational programmes as expressed in annual and medium-term plans. ■

ALIGNMENT

AID THAT IS DONOR DRIVEN AND FRAGMENTED is less effective. For aid to be effective, it must make use of national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries' aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

As has been noted, five out of nine indicators on alignment have not been set a target or lack data for 2010. It is therefore not possible to assess progress on these indicators against targets. However, progress is reflected for four of these indicators. Alignment of aid flows to national priorities has been achieved with 95% of dispersed aid accurately reflected in the budget, and co-ordinated support has also been achieved. Substantial improvements have been made regarding country systems, budget estimates and the integration of project implementation units into national systems. Indonesia's results on untied aid have fallen below the 2007 results, but the majority of bilateral donors now report that their aid is fully or almost fully untied. There is evidence that integrated PIUs are not inherently more effective than parallel PIUs in the Indonesian context.

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong).

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system to ensure that the budget is implemented as intended in a controlled and predictable way; and timely and accurate accounting and fiscal reporting, including timely and audited public accounts with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

INDICATOR 2
Building reliable country systems

INDICATOR 2a
How reliable are country public financial management systems?

The reliability of Indonesia's PFM system was not assessed by the CPIA in 2010, therefore Indonesia's performance on this cannot be assessed against the target score of 4.0. However, Indonesia has been using performance-based budgeting for its medium-term expenditure framework (MTEF). This requires that national plans and budgets be based on national priorities, and implementation of this policy requires review, more detailed regulation and capacity development. Regulations are also in place to ensure grant funds are accurately recorded on the national budget. The remaining key challenge in PFM reform is to improve accountability at the sub-national level with a focus on performance-based budgeting.

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally-accepted good practice, as well as a new set of indicators. These indicators assess overall performance of the system, compliance with national legislation and standards and whether there is a reform programme in place to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

INDICATOR 2b
How reliable are country procurement systems?

Indonesia's procurement systems have not been rated for 2010. It is therefore not possible to draw conclusions on progress over time. The Government of Indonesia is currently implementing reform of its procurement systems and building the trust of donors in using these systems. A National Procurement Policy Agency was set up in 2007 as a specialised policy agency in response to the move towards reliable country procurement systems. Efforts in developing procurement systems include the establishment of a unified national and regional procurement system, a chart of national standard costs for procurement, and introduction of e-procurement systems, which are now mandatory for all government agencies. While progress is being made with procurement regulations, challenges remain to further develop capacity in procurement.

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

INDICATOR 3
Aligning aid flows on national priorities

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes.

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget.

On aggregate, 95% of aid disbursed by donors to the government sector in Indonesia was accurately estimated in the 2010 government budget, an increase from 70% in 2007. Indonesia has thus largely exceeded the 2010 target of 85% of aid reported on budget. In 2010, 40% of aid was accurately recorded in budget for the average donor. This implies that small donors have a lower rate of aid recorded on budget. Capturing this data is a challenge for the future. The World Bank and Japan, Indonesia's largest donors, have 90% and 75% respectively of aid disbursed recorded on budget, with budget estimates greater than disbursements. For the Asian Development Bank, disbursements exceeded the government's budget with estimates at 91% of actual disbursements. Factors reported to contribute to a gap between aid disbursements and estimates include the differences in government and donor reporting systems and fiscal years, and the fact that not all grants are

being recorded. The Government of Indonesia and its donors need to work on improving the recording of disbursements in the national budget on a routine basis to ensure that grant disbursements are captured in a timely manner. There is also a challenge to continue to improve internal government co-ordination and information sharing on donor disbursements.

TABLE 3:
Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows in 2010 (USD m) a	Aid disbursed by donors for government sector in 2010 (USD m) b	2005		2007		2010 *		Total aid disbursed through other donors (USD m)
			(for reference)	(for reference)	(%) c = a / b	(%) c = b / a			
[Other donors]	--	--	--	--	--	--	--	0	
Asian Dev. Bank	897	989	--	55%	91%			0	
Australia	122	284	--	15%	43%			50	
Canada	2	7	--	0%	25%			4	
Denmark	3	8	--	--	33%			0	
EU Institutions	0	59	--	48%	0%			29	
France	340	317	--	0%		93%		0	
GAVI Alliance	7	0	--	--		0%		0	
Germany	66	80	--	25%	83%			0	
Global Fund	61	70	--	0%	88%			0	
IFAD	18	11	--	--		60%		0	
IMF	--	--	--	0%	--			0	
Isl. Dev Bank	137	82	--	--		60%		0	
Japan	2 094	1 561	--	98%		75%		2	
Korea	16	10	--		98%	61%		0	
Netherlands	18	0	--		52%	0%		47	
New Zealand	0	1	--	0%		0%		2	
Norway	1	4	--	0%		24%		33	
Spain	30	0	--		2%	0%		0	
Sweden	1	5	--	0%		23%		0	
Switzerland	0	1	--	--		7%		4	
United Kingdom	2	6	--			40%		10	
United Nations	20	138	--	1%		15%		2	
United States	6	160	--	5%		4%		80	
World Bank	2 637	2 366	--	78%		90%		15	
Average donor ratio			--	26%		40%			
Total	6 480	6 158	--	70%		95%		278	

* Ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$).

INDICATOR 7
Providing more predictable aid

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. The Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable manner according to agreed schedules.

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting system as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress in relation to both, with the aim of halving the proportion of aid not disbursed (and not captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010.

The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

TABLE 4:
Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in 2010 (USD m) a	Aid scheduled by donors for disbursement in 2010 (USD m) b	2005 (for reference)		2007 (for reference)		2010 * (%)		For reference: Aid disbursed by donors for government sector in 2010 (USD m) d	For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010 ** (%)	
							c = a / b	c = b / a		e = d / b	e = b / d
[Other donors]	--	--	--	--	--	--	--	--	--	--	--
Asian Dev. Bank	825	913	--	--	100%	--	90%	989	--	92%	--
Australia	62	412	--	--	27%	--	15%	284	69%	--	--
Canada	--	7	--	--	0%	--	--	7	95%	--	--
Denmark	1	8	--	--	--	--	9%	8	100%	--	--
EU Institutions	--	58	--	--	0%	--	--	59	--	99%	--
France	316	314	--	--	--	45%	99%	317	--	99%	--
GAVI Alliance	5	3	--	--	--	--	51%	0	0%	--	--
Germany	27	83	--	--	--	10%	32%	80	96%	--	--
Global Fund	66	64	--	--	0%	--	97%	70	--	91%	--
IFAD	10	9	--	--	--	--	89%	11	--	84%	--
IMF	--	--	--	--	0%	--	--	--	--	--	--
Isl.Dev Bank	84	160	--	--	--	--	53%	82	52%	--	--
Japan	1 436	1 561	--	--	0%	--	92%	1 561	100%	--	--
Korea	3	12	--	--	0%	--	27%	10	79%	--	--
Netherlands	12	19	--	--	0%	--	62%	0	0%	--	--
New Zealand	--	1	--	--	0%	--	--	1	89%	--	--
Norway	0	0	--	--	0%	--	15%	4	--	13%	--
Spain	16	0	--	--	0%	--	0%	0	--	--	--
Sweden	--	5	--	--	0%	--	--	5	86%	--	--
Switzerland	--	5	--	--	--	--	--	1	27%	--	--
United Kingdom	--	7	--	--	--	--	--	6	82%	--	--
United Nations	10	136	--	--	0%	--	8%	138	--	98%	--
United States	--	182	--	--	0%	--	--	160	88%	--	--
World Bank	2 136	2 549	--	--	0%	--	84%	2 366	93%	--	--
Average donor ratio			--	--	10%	--	51%			74%	--
Total	5 008	6 510	--	--	25%	--	77%	6 158	95%	--	--

* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

** Ratio is e=d/b except where disbursements recorded by donors are greater than aid scheduled for disbursement (e=b/d).

In 2010, 77% of scheduled disbursements to Indonesia were accurately recorded by the government. This falls slightly short of 85% target, but is an impressive increase from the figure of 25% in 2007, which underlines the importance of aid registration processes. Indonesia has also significantly reduced the aggregate gap between planned and actual disbursements. However, variation in aid predictability among donors remains significant, with some reporting over 90% and others less than 10%. For the average donor, the ratio was 36%. Some multilateral donors cite the unpredictability of contributions to their own fund flows as being an underlying reason for low aid predictability.

Results on aid predictability would have been higher if data had been collected from donors not participating in the survey. The number of donors for which the government has data on ODA for the government sector has grown significantly since 2007, with those reporting on this indicator increasing from 18 to 22. Ninety-five percent of scheduled aid was reported as disbursed by donors in 2010, which is much higher than that

recorded by the government (77%). It should be noted that, since 2007, provision of disbursement data by donors and the recording of this information by the government have significantly improved, but challenges remain to further improving aid registration.

INDICATOR 4

Co-ordinating support to strengthen capacity

Capacity constraints present significant challenges to development and poverty reduction efforts and their sustainability. These relate both to aid management capacities (the ability of the government to capture, co-ordinate and utilise aid flows more effectively) and also to broader capacities for the design and implementation of policies and service delivery.

Under the Paris Declaration donors committed to providing technical co-operation that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Successful capacity development is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is country-led and well co-ordinated. It captures the extent to which technical co-operation is aligned with objectives articulated by country authorities, whether country authorities have control over this assistance, and whether arrangements are in place to co-ordinate support provided by different donors. The Paris Declaration target is for 50% of technical co-operation flows to be implemented through co-ordinated programmes that are consistent with national development strategies by 2010.

TABLE 5:
How much technical co-operation is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2005 (for reference)	2007 (for reference)	2010 (%) c = a / b
[Other donors]	--	--	--	--	--
Asian Dev. Bank	0	8	--	1%	2%
Australia	45	111	--	18%	40%
Canada	0	15	--	0%	0%
Denmark	3	3	--	--	94%
EU Institutions	11	14	--	0%	74%
France	0	0	--	58%	--
GAVI Alliance	0	0	--	--	--
Germany	31	32	--	100%	98%
Global Fund	0	0	--	--	--
IFAD	0	0	--	--	45%
IMF	--	--	--	8%	--
Isl.Dev Bank	0	0	--	--	0%
Japan	40	88	--	100%	45%
Korea	6	7	--	100%	91%
Netherlands	4	6	--	26%	60%
New Zealand	1	2	--	--	68%
Norway	0	0	--	0%	0%
Spain	0	0	--	0%	--
Sweden	0	2	--	85%	0%
Switzerland	1	1	--	--	100%
United Kingdom	0	8	--	0%	0%
United Nations	62	92	--	100%	67%
United States	80	160	--	0%	50%
World Bank	285	287	--	90%	99%
Total	569	838	--	60%	68%

Data show that, in 2010, 68% of technical co-operation to Indonesia was co-ordinated with country programmes. This places Indonesia well above the 50% target for 2010, and the country has managed to improve on these results since the previous figure of 60% in 2007. Comprehensive dialogue has and does take place

between the government and donors on this issue. For most donors, technical co-operation is a key programmatic component. However, uneven levels of co-ordinated technical co-operation among donors may still require attention from the government. The challenge remains for the government to enhance co-ordination among government agencies on this issue.

Steps are being taken by the Indonesian government towards increasing co-ordinated technical co-operation. On the one hand, capacity development is a clear focus throughout the medium-term development plan and in annual government work plans. On the other hand, donors are placing a priority on this with an overall 14% of ODA for the government being allocated towards these ends. Agencies are progressively able to provide donors with capacity development plans and increasingly align technical support with them. The government's Aid for Development Effectiveness Secretariat Working Group on Capacity Development and Knowledge Management has been working towards improving capacity development for aid effectiveness. It helps to depict capacity building needs and to map capacity development assets, and it also investigates options for a national trustee system.

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the government's long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. Indicator 5 is directly linked to indicator 2 on the quality of public financial management (PFM) and procurement systems.

INDICATOR 5

Using country systems

TABLE 6:
How much aid for the government sector uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management						Procurement			
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) avg(b,c,d)/a	Proc. systems (USD m) e	2005 (for reference)	2007 (for reference)	2010 (%) e/a
[Other donors]	--	--	--	--	--	--	--	--	--	--	--
Asian Dev. Bank	989	972	972	972	--	47%	98%	245	--	15%	25%
Australia	284	53	33	40	--	67%	15%	38	--	23%	13%
Canada	7	0	0	0	--	0%	0%	0	--	0%	0%
Denmark	8	3	3	0	--	--	26%	3	--	--	38%
EU Institutions	59	58	58	58	--	0%	99%	58	--	0%	99%
France	317	315	315	315	--	91%	100%	315	--	91%	100%
GAVI Alliance	0	0	0	0	--	--	--	0	--	--	--
Germany	80	49	79	49	--	66%	74%	49	--	66%	62%
Global Fund	70	0	0	0	--	0%	0%	6	--	81%	9%
IFAD	11	11	11	11	--	--	100%	0	--	--	0%
IMF	--	--	--	--	--	0%	--	--	--	0%	--
Isl. Dev Bank	82	82	0	0	--	--	33%	82	--	--	100%
Japan	1 561	1 449	1 449	1 449	--	92%	93%	1 449	--	92%	93%
Korea	10	0	0	0	--	60%	0%	0	--	60%	0%
Netherlands	0	0	0	0	--	0%	--	0	--	0%	--
New Zealand	1	0	0	0	--	7%	0%	0	--	20%	0%
Norway	4	0	0	0	--	32%	9%	0	--	0%	13%
Spain	0	0	0	0	--	0%	--	0	--	0%	--
Sweden	5	2	2	2	--	0%	34%	0	--	0%	0%
Switzerland	1	0	0	0	--	--	0%	0	--	--	0%
United Kingdom	6	0	0	0	--	--	0%	0	--	--	0%
United Nations	138	19	6	13	--	6%	9%	17	--	7%	12%
United States	160	0	0	0	--	0%	0%	0	--	0%	0%
World Bank	2 366	2 366	2 366	2 366	--	100%	100%	2 031	--	86%	86%
Total	6 158	5 381	5 294	5 276	--	71%	86%	4 295	--	56%	70%

INDICATOR 5a

Use of country public financial management (PFM) systems

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5.

Data for 2010 show that 86% of aid to the government sector used PFM systems, a significant increase from 71% in 2007. In addition Indonesia has notably reduced the partial use of country PFM systems by donors who do use them (*i.e.* using only one or two of the three main systems measured). Although Indonesia was not formally assessed against this indicator, it has met a "level of ambition" of 76%, as suggested in the 2008 country chapter. If Indonesia had been assessed for indicator 2a it would have met the target for reducing aid that does not make use of country PFM systems by two-thirds.

Some donors report disbursements through third parties using country PFM systems which do not appear in Table 5. However, half of donors who responded still do not use PFM systems at all for their programmes, partly due to constraints such as different financial years, perception of skill levels required of civil servants to meet donor requirements, and the need for improvements in internal controls, accounting processes and punctuality of reporting. ODA loans surpass grants with regard to the use of the country PFM systems. The government has worked extensively on PFM controls, and donors are responding more positively to the use of Indonesia's PFM systems and exploring options for their further use. Effective integration of reporting requirements remains a challenge, and the use of parallel systems will continue to be necessary in this regard.

INDICATOR 5b

Use of country procurement systems

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to indicator 2b on the quality of procurement systems. For partner countries with a procurement score of "A", a two-thirds reduction in the proportion of aid for the public sector not using the country's procurement systems and for partner countries with a procurement score of "B" to reduce the gap by one-third.

In 2010, 70% of aid to the Indonesian government sector made use of procurement systems, compared with 56% in 2007. While no target was assigned for Indonesia for the current survey, this shows significant progress and indicates that if an assessment had been made Indonesia would have met a target of one-third reduction in the proportion of aid not using country procurement systems. Both the government and donors are working towards increased use of country procurement systems, but both note that there are still occasions when better outcomes for procurement are achieved if managed through donor systems.

While Indonesia carried out reforms to its procurement systems in 2010, overall progress in the use of the country's procurement systems by donors is constrained by some specific factors. These include the incompatibility of procurement procedures with donor regulations or accountability procedures; donors using government procurement systems insisting on additional safeguards such as independent audit and payment in tranches with which the government is not always able to comply; and finally, there are persistent concerns about corruption in aid programmes.

INDICATOR 6

Avoiding parallel implementation structures

When providing development assistance, some donors establish dedicated project management units or implementation units (PIUs) – to support development projects or programmes. A PIU is said to be "parallel" when it is created by the donor and operates outside existing country institutional and administrative structures. In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity development efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 counts the number of parallel PIUs being used in partner countries. The target is to reduce by two-thirds the number of parallel PIUs in each partner country between 2005 and 2010.

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
[Other donors]	--	--	--
Asian Dev. Bank	--	0	0
Australia	--	15	7
Canada	--	4	4
Denmark	--	--	0
EU Institutions	--	13	0
France	--	0	2
GAVI Alliance	--	--	0
Germany	--	2	0
Global Fund	--	0	0
IFAD	--	--	1
IMF	--	0	--
Isl. Dev Bank	--	--	0
Japan	--	0	0
Korea	--	0	0
Netherlands	--	0	0
New Zealand	--	1	2
Norway	--	0	2
Spain	--	0	0
Sweden	--	0	0
Switzerland	--	--	0
United Kingdom	--	0	2
United Nations	--	17	21
United States	--	34	17
World Bank	--	0	0
Total	--	86	58

TABLE 7:
How many PIUs are parallel to country structures?

In 2010 donors reported 58 parallel project implementation units (PIU), down from 86 in 2007. Indonesia was not assigned a target for this indicator in the current survey, but the 2008 country chapter suggested an appropriate level of ambition would be to reduce the number of parallel PIUs to 60 or below, which Indonesia has achieved. While there are disadvantages associated with PIUs, they can have some advantages such as promoting efficiency in disbursement, and better co-ordination of aid delivery. There is no one solution to fit all programmes. The government acknowledges that while it needs PIUs, more can be done to further reduce their number, with the aim that PIUs are governed by government institutions. This encourages government ownership, leadership and capacity building.

The government is undertaking useful work on PIUs through the Aid for Development Effectiveness Secretariat. Evidence from the work to date suggests that PIU complexity has increased where more than one line agency and/or donor are involved in a programme, and where outputs are being delivered at national and sub-national levels. There are different models and varying degrees of complexity for PIUs and generic criteria for defining parallel PIUs might not always be applicable to the Indonesian context. The government acknowledges the need for parallel PIUs in the context of technical assistance programmes directly managed by donors, particularly in relation to procurement. Evidence also exists that integrated PIUs are not inherently more effective than parallel PIUs.

The remaining challenge for the future is to raise the capacity of PIUs to effectively and efficiently manage aid financed programmes.

INDICATOR 8
Untying aid

Aid is “tied” when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD’s Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

TABLE 8:
How much bilateral aid is untied?

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Australia	158.1	147.1	63%	94%	93%
Austria	3.6	0.3	99%	--	8%
Belgium	0.8	0.5	91%	100%	62%
Canada	2.5	2.5	79%	42%	100%
Denmark	22.5	22.5	100%	98%	100%
Finland	6.5	6.5	100%	--	100%
France	214.7	213.8	50%	47%	100%
Germany	83.6	83.3	84%	100%	100%
Greece	0.1	0.0	100%	--	0%
Ireland	1.2	1.2	100%	100%	100%
Italy	1.0	0.1	95%	74%	11%
Japan	1439.5	924.0	83%	96%	64%
Korea	101.1	43.2	--	0%	43%
Luxembourg	0.5	0.5	100%	100%	100%
Netherlands	99.3	57.1	89%	98%	58%
New Zealand	4.9	4.4	100%	100%	92%
Norway	11.5	11.5	100%	100%	100%
Portugal	0.0	0.0	100%	100%	--
Spain	14.7	4.1	95%	22%	28%
Sweden	9.1	9.1	100%	100%	100%
Switzerland	7.6	7.3	98%	83%	96%
United Kingdom	55.5	55.5	100%	100%	100%
United States	203.1	185.9	90%	91%	92%
Total	2 441	1 780	85%	94%	73%

Source: OECD Creditor Reporting System.

According to the 2011 Survey, 73% of bilateral aid provided to Indonesia in 2010 was untied, which constitutes a setback in comparison with previous years, and falls short of the target of over 85%. Among the major donors, Japan, Korea and Netherlands have relatively low levels of untied aid. However, 10 of 22 bilateral donors responding have completely untied their aid, with a further 4 now having less than 10% of tied aid.

While the government recognises that effective delivery of programmes may still need foreign expertise and goods, local sourcing is strongly encouraged. Untying aid is an integral part of the Jakarta Commitment. The multi-donor trust fund modality is one possible modality for untying aid. ■

HARMONISATION

POOR CO-ORDINATION OF AID increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the transaction costs associated with aid management. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and co-ordinate analytic work.

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that two-thirds of aid flows are provided in the context of PBAs.

Data for 2010 show that 61% of aid to Indonesia made use of PBAs, and that direct budget support constituted the main modality. Indonesia is therefore close to meeting the 2010 target of 66%, and has made substantial progress against the 51% recorded in 2007. A policy guideline for PBAs is being developed by BAPPENAS with support from the Aid for Development Effectiveness Secretariat Working Group on the Development of Financial Mechanisms, according to the Jakarta Commitment. USD 2.67 billion of direct budget support (a key component of PBAs) was disbursed in 2010, which is substantially larger than the 2007 figure of just under USD 2 billion. A far higher increase has been recorded in the disbursement of other non-budget support PBAs, from USD 127 million in 2007 to USD 1.27 billion in 2010.

The data reflects the growing capacity of the government and donors to co-ordinate and harmonise systems by effectively making links between internal systems and the government's requirements. Both progress and constraints in this area clearly relate to the use of the country's public financial management and procurement systems.

However, the use of PBAs varies greatly among donors. Ten out of 24 donors listed in the survey data made no disbursements through PBAs. Three donors, Asian Development Bank, Global Fund and Islamic Development Bank, channeled all their aid through PBAs. Aside from direct budget support, the use of the multi-donor trust fund modality is currently the most prevalent modality, and its function in harmonising donor programmes is well-recognised. The challenge to increase support through PBAs remains on the agenda. Both progress and constraints in this area also relate to the use of GOI's PFM and procurement systems.

INDICATOR 9 Using common arrangements

TABLE 9:
How much aid is
programme based?

	Programme-based approaches			Total aid disbursed (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) e = c / d
	Budget support (USD m)	Other PBAs (USD m)	Total (USD m)				
	a	b	c = a + b				
[Other donors]	--	--	--	--	--	--	--
Asian Dev. Bank	700	289	989	989	--	79%	100%
Australia	0	0	0	295	--	35%	0%
Canada	0	0	0	15	--	0%	0%
Denmark	0	3	3	11	--	--	23%
EU Institutions	58	5	63	73	--	0%	86%
France	301	0	301	319	--	4%	95%
GAVI Alliance	0	0	0	0	--	--	--
Germany	0	0	0	80	--	2%	0%
Global Fund	0	83	83	83	--	0%	100%
IFAD	0	0	0	11	--	--	0%
IMF	--	--	--	--	--	15%	--
Isl.Dev Bank	82	0	82	83	--	--	100%
Japan	531	102	633	1 563	--	39%	40%
Korea	0	0	0	11	--	0%	0%
Netherlands	0	0	0	26	--	0%	0%
New Zealand	0	2	2	4	--	0%	45%
Norway	0	0	0	4	--	0%	0%
Spain	0	0	0	1	--	0%	0%
Sweden	0	0	0	5	--	0%	0%
Switzerland	0	0	0	1	--	--	0%
United Kingdom	0	0	0	10	--	0%	0%
United Nations	0	59	59	150	--	22%	39%
United States	0	0	0	301	--	0%	0%
World Bank	1 000	726	1 726	2 404	--	62%	72%
Total	2 673	1 268	3 940	6 436	--	51%	61%

INDICATOR 10a
Joint missions

A common complaint of partner countries is that donors make too many demands on their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared. The 2010 target is that 40% of donor missions to the field are conducted jointly.

For 2010, 17% of a total of 312 donor missions in Indonesia were conducted jointly. This marks an improvement compared with the 13% recorded for 2007, although it does not meet Indonesia's target of 40% (which was acknowledged to be a significant challenge). The number of joint missions reported by donors may be incorrect, as some donors additionally report participation for joint missions comprised entirely of Indonesia-based staff, which do not meet the international travel requirements of joint missions. The total number of missions has declined significantly from 590 to 312. This might be due to a general scaling-up of programme size or to increased utilisation of country staff resources. It also reflects the government's intention to keep mission numbers down. It should be noted that donor responses varied widely on this indicator: some had only solo missions, while one donor had 100% joint missions. The Jakarta Commitment Road Map requires donors to co-ordinate their missions and align their schedule with the national planning and budgeting cycle, which calls for them to conduct missions for several projects at the same time and to ensure that joint mission results are widely shared.

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
[Other donors]	--	--	--	--	--
Asian Dev. Bank	0	26	--	13%	0%
Australia	2	12	--	18%	17%
Canada	0	10	--	0%	0%
Denmark	1	4	--	--	25%
EU Institutions	4	22	--	0%	18%
France	3	6	--	0%	50%
GAVI Alliance	0	0	--	--	--
Germany	6	18	--	38%	33%
Global Fund	2	6	--	0%	33%
IFAD	2	2	--	--	100%
IMF	--	--	--	3%	--
Isl.Dev Bank	0	9	--	--	0%
Japan	0	36	--	1%	0%
Korea	0	16	--	0%	0%
Netherlands	6	8	--	0%	75%
New Zealand	0	7	--	0%	0%
Norway	0	4	--	100%	0%
Spain	0	1	--	67%	0%
Sweden	0	0	--	100%	--
Switzerland	0	2	--	--	0%
United Kingdom	0	2	--	0%	0%
United Nations	35	78	--	67%	45%
United States	0	0	--	0%	--
World Bank	21	43	--	66%	49%
Total	53	312	--	13%	17%

* The total of coordinated missions has been adjusted to avoid double counting.
A discount factor of 35% is applied.

TABLE 10:
How many donor missions are co-ordinated?

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

INDICATOR 10b
Joint country analytical work

Forty-two percent of country analytic work was co-ordinated in 2010. This is a setback from the 2007 score of 45%, and Indonesia has therefore not reached the 2010 target. The extent to which donors co-ordinated their analytical works varies from 100% to zero. The Jakarta Commitment Road Map calls for donors to provide co-ordinated plans on country analytical work. However, the government should be more proactive in seeking country analytical work that directly supports national long-term development strategies.

TABLE 11:
How much country
analytic work is
co-ordinated?

	Co-ordinated donor analytic work* (units) a	Total donor analytic work (units) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
[Other donors]	--	--	--	--	--
Asian Dev. Bank	1	7	--	40%	14%
Australia	2	30	--	100%	7%
Canada	2	5	--	0%	40%
Denmark	0	0	--	--	--
EU Institutions	0	3	--	13%	0%
France	0	0	--	--	--
GAVI Alliance	0	0	--	--	--
Germany	8	12	--	53%	67%
Global Fund	0	1	--	0%	0%
IFAD	1	1	--	--	100%
IMF	--	--	--	50%	--
Isl.Dev Bank	2	5	--	--	40%
Japan	0	0	--	25%	--
Korea	0	0	--	0%	--
Netherlands	0	0	--	0%	--
New Zealand	0	0	--	--	--
Norway	0	0	--	--	--
Spain	0	0	--	--	--
Sweden	0	0	--	--	--
Switzerland	0	0	--	--	--
United Kingdom	0	0	--	--	--
United Nations	51	71	--	78%	72%
United States	2	2	--	33%	100%
World Bank	21	24	--	85%	88%
Total	68	161	--	45%	42%

* The total of coordinated missions has been adjusted to avoid double counting.
A discount factor of 25% is applied.

MANAGING FOR RESULTS

INDICATOR 11
Do countries have
results-based monitoring
frameworks?

BOTH DONORS AND PARTNER COUNTRIES should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third. Overall, in 2010, Indonesia received a B score for its results-oriented frameworks, thus meeting its target and contributing to the global target. Assessments from previous years are not available, and it is therefore impossible to comment on its progress over time.

Indonesia's National Medium Term Development Plan (NMTDP) has a monitoring and evaluation (M&E) framework in place. Data quality is sufficient to meet the demand of the M&E system. Furthermore, stakeholders can access to government plans and documents easily. The M&E framework tracks input, output and

outcome indicators of the NMTDP. Most donors utilise transparent and monitorable performance assessment frameworks; many require that project and programme results are linked into a country or sector and agency wide programme result framework. The Ministry of Planning receives quarterly reports of government performance on development programmes and activities from all line ministries and sub-national governments. Based on the performance report, information is further reviewed and used for making decisions on future planning and budgeting processes.

The joint commitment to manage for results draws upon GOI and donor systems. Donor systems are driven from and tailored to headquarter requirements. Systems are varied in form and required content, with government systems sector and agency oriented, and donor systems largely programme and project oriented. There are challenges to matching data in order to obtain a common understanding of results, and to matching the scheduling and frequency of monitoring activities and reports. ■

MUTUAL ACCOUNTABILITY

STRONG AND BALANCED MECHANISMS that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue.

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place, and Indonesia has met the target for this indicator. Indonesia's commitments to the Paris Declaration in 2005 and its further affirmation through the Accra Agenda for Action in 2008 resulted in the Jakarta Commitment of 2009. The Jakarta Commitment, signed by 26 donors, lays out a roadmap for Indonesia to strengthen aid for development effectiveness. While non-binding, it calls for partnerships to strengthen government capacities and systems, improve the international governance of aid and strengthen south-south co-operation.

In Indonesia there is increasing interest in aid accountability from the parliament, civil society and the public. Parliaments at national and sub-national levels have the ultimate oversight of budgets and are very active in legislation for and debate of aid issues. Civil society is also very active in monitoring the utilisation of funds and evaluating aid performance, and the State Audit Board (BPK) conduct audits of development programmes.

The government and its donors are active in developing mechanisms for mutual accountability and the Jakarta Commitment is the primary vehicle through which mutual accountability is being enhanced. While the growing commitment will still benefit from increased "buy-in", all parties are further enhancing mutual accountability in line with Paris Declaration and the Accra Agenda. Partnership dialogue is key to enhancing mutual accountability, and the government acknowledges that there is a need to increase the use of participatory mechanisms for assessment through the Jakarta Commitment.

INDICATOR 12

Mutual accountability

NOTES

The quantitative information presented in this chapter is taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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