

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 to efforts aimed 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 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 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 15.4% in 2008, yet large numbers of Indonesians remain poor (around 35 million). Regional disparities is 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 MDGs 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. Further, by taking into account the global financial crises, Indonesia and development partners have no option but utilizing all resources more effectively. 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

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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 practices, to enhance institutional capacity, and bring about strategic systems improvements.

The Indonesia Roadmap to strengthen aid for development effectiveness

We have therefore prepared 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 supporting development**.

This roadmap defines the policy direction towards development effectiveness up to 2014 and beyond, which includes priority 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. The principle of ownership implies that the policy direction will be in line with the national development strategies. We also recognize the importance of addressing gender issues in our development activities and aid effectiveness process.

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.

1. 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 challenges, 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 share the view that all their interventions have some elements 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 the 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 only 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 practices 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 the multi-donor support modality, the **Government and development partners will put higher priority on 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 the Government reporting systems. **The Government and development partners commit to reducing 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 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 the Government to discuss progress.

To this end, the **Government will propose a regular dialogue mechanism to provide a platform for discussing the development agenda in line with the Jakarta Commitment**. 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 regular meetings 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 in order to effectively and jointly address the challenges relating to global public goods, climate change, the environment, and strategic global security issues.

III. *Delivering and Accounting For 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 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.**

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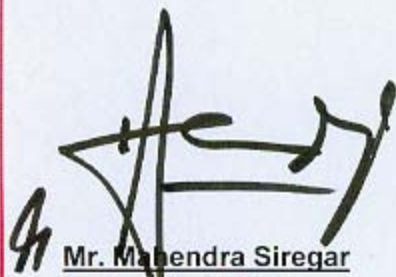
The Jakarta Commitment

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. We will establish an Aid for Development 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.

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 adopting the Jakarta Commitment, all below development partners aspire to achieve the strong aspirations herein.

Jakarta, 12 January 2009

for the Government of Indonesia



Mr. Mahendra Siregar
Deputy Minister
for International Economic
and Financial Cooperation,
Coordinating Ministry
for Economic Affairs



Dr. Lukita Dinarsyah Tawo
Deputy Minister/Chairman
for Development Funding
Bappenas



Dr. Rahmat Waluyanto
Director General
of Debt Management
Ministry of Finance

List of Development Partners Adopting the Jakarta Commitment

1. Government of Australia (adopted on 12 January 2009)
2. Government of Japan (adopted on 12 January 2009)
3. Government of the Republic of Poland (adopted on 12 January 2009)
4. Netherlands Government (adopted on 12 January 2009)
5. Asian Development Bank (adopted on 12 January 2009)
6. World Bank (adopted on 12 January 2009)
7. Austrian Embassy (adopted on 12 January 2009)
8. Embassy of Finland (adopted on 12 January 2009)
9. French Embassy (adopted on 12 January 2009)
10. Agence Française de Développement (adopted on 12 January 2009)
11. Embassy of the Federal Republic of Germany (adopted on 12 January 2009)
12. Embassy of Italy (adopted on 12 January 2009)
13. Embassy of Sweden (adopted on 12 January 2009)
14. Canadian International Development Agency (adopted on 12 January 2009)
15. Department for International Development of the United Kingdom (adopted on 12 January 2009)
16. Japan International Cooperation Agency (adopted on 12 January 2009)
17. Korea International Cooperation Agency (adopted on 12 January 2009)
18. New Zealand Agency for International Development (adopted on 12 January 2009)
19. Royal Norwegian Embassy (adopted on 12 January 2009)
20. United States Agency for International Development/Indonesia (adopted on 12 January 2009)
21. Delegation of the European Commission (adopted on 12 January 2009)
22. United Nations System in Indonesia (adopted on 12 January 2009)

23. Islamic Development Bank (adopted on 27 January 2009)
24. Royal Danish Embassy (adopted on 27 January 2009)

25. Government of the Republic of Korea (adopted on 5 February 2009)