Donor proliferation and donor coordination in Indonesia: the case of governance reform

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Abbreviations

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
BaKTI	Knowledge Exchange for Eastern Indonesia
Bappenas	Badan Perencanaan Pembangunan Nasional (National Development Planning Agency)
CFAA	Country Financial Accountability Assessment
CGI	Consultative Group on Indonesia
CIDA	Canadian International Development Agency
CPAR	Country Procurement Assessment Report
CSO	Civil Society Organization
DAC	Development Assistance Committee
DSF	Decentralization Support Facility
EC	European Commission
EU	European Union
Forum KTI	Eastern Indonesia Forum
Golkar	Golongan Karya Party
GTZ	Gesellschaft für Technische Zusammenarbeit
ICITAP	International Criminal Investigative Training Assistance Program
IGGI	Inter-Governmental Group on Indonesia
ILO	International Labor Organization
IMF	International Monetary Fund
IOM	International Organization on Migration
JICA	Japan International Cooperation Agency
KPK	Komisi Pemberantasan Korupsi (Commission for the Eradication of Corruption)
KPU	Komisi Pemilihan Umum (General Election Commission)
MDG	United Nations Millennium Development Goals
NGO	Non Governmental Organization
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PDI	Partai Demokrasi Indonesia
PPP	Partai Persatuan Pembangunan
SEKBER	Sekretariat Bersama (Joint Secretariat)
SOfEI	Support Office for Eastern Indonesia
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
USA	United States of America
USAID	United States Agency for International Development

1. Introduction

The benefits which recipient countries derive from foreign aid depend on the way this aid is delivered. This is now widely recognized and has given rise to a debate on 'aid architecture'. In this debate particular attention has been given to the proliferation of donor agencies and projects and its effects on the capacity of recipient states. Such proliferation can lead to high transaction costs for recipients, undermine the capacity to act strategically, disrupt organizational learning and lead to parallel institutions. While in principle more donors and more projects can mean more choice, it is feared that in practice it fragments the recipients' capacity to govern. Donor agencies themselves have recognized these problems and promised to coordinate their efforts and subordinate their projects to the priorities of recipient governments. This promise is enshrined in the Paris Declaration on Aid Effectiveness.

This paper examines to what extent donor and project proliferation continues and to what extent and how donors have coordinated their actions in Indonesia. In order to examine these issues in depth, it focuses on one 'sector', namely donor support for governance reform. If greater donor coordination can be expected anywhere, one would expect to find it in governance reform since the objective of foreign aid is to help improve the recipients' management of public affairs.

Good governance is vital to the effective function of all aspects of the economy and society such as infrastructure, education or agriculture. Governance reform is also essential for the effective delivery of aid to all other sectors, because without good governance, the aid system is inefficient and cannot deliver effective services to the people. Governance reform includes programmes and projects aimed at institution building, securing human rights, reducing corruption, judicial reforms, and other measures of improving law and order. We will need to limit ourselves to particular domains of governance reform, ideally those in which the coordination of multiple donor agencies can be observed and the effects on state capacity can be traced.

Governance reform is the fastest growing field of donor activity (except for HIV/AIDS). By the 1990s, donors began to make 'good governance' a condition for accessing all types of aid. This then highlighted the need to invest in governance reform. It is recognized that Indonesia has made enormous progress in governance reform, notably in establishing the General Election Commission (KPU), the Commission for Eradication Corruption (KPK), and the Commission for Truth and Reconciliation (KKR); the peaceful general election in 2004, the first direct election of the legislative as well as executive; the start of national tests for the recruitment of civil servants; and the shift from centralized to decentralized government. However, a lot remains to be done. The remaining problems that need to be addressed are in particular: widespread problems of corruption, a confused decentralized system, weak legal institutions, and an ineffective civil service. These all indicate that there is much more work to be done on promoting good governance.

This paper will examine how donors support this work, concentrating on the architecture for aiding governance reform from the outside. As set out above, we will concentrate on the extent and form of proliferation and coordination amongst donor agencies. However, donor coordination cannot proceed in a vacuum. For it to succeed, government needs

to do its own work in setting priorities and seeking coordination amongst its departments. This paper therefore also examines the governments' own efforts in this field. The period covered is 2000 to 2005, even though in some places this is extended to 2006.

Data collection was not an easy process due to the lack of a comprehensive data source on donor activities. To assess the proliferation of agencies and projects, the required data was quantitative in nature whereas for donor coordination, the data required was more qualitative. We found that even the seemingly simple task of listing the number of projects concerned with governance reform was a major undertaking. While in principle, BAPPENAS in cooperation with UNDP have a database designed to register all donor activity, in practice many projects are not included. We therefore drew on available data from a variety of sources ranging from official and unofficial; published as well as unpublished; from websites, CD ROMs, printed materials; all from both the donor and the government side. In screening these sources it was sometimes difficult to decide which projects to include under 'governance reform'. Wherever possible, we looked at the detailed project information in order to ascertain whether governance reform was a major objective. Projects in which governance reform was only a minor concern were not included. While most cases were clear-cut, in some cases the inclusion was arbitrary. While this might have affected the precise project totals, we do not think this affected orders of magnitude.[1]

The quantitative work was complemented with qualitative research based on interviews with officials from donor agencies, the government, and civil society organisations involved in the aid process. The interviews served to fill gaps in our assessment of proliferation and record all initiatives to coordinate donor activities, from informal meetings to formal structures. These interviews were also essential in revealing the difficulties of coordination on both the donor and government side. We collected the data in Jakarta and Makassar, for the reasons that Jakarta is the capital city of Indonesia and Makassar is the city in Eastern Indonesia where many donors locate their 'satellite' offices, in particular for governance reform projects.

The paper is structured as follows: Section 2 assesses the extent of the proliferation of donors and other key actors involved in the aid process. Section 3 examines the extent and form of donor coordination. Finally, Section 4 pulls together the main findings from this study.

2. Proliferation of agencies and projects

This section will examine to what extent the alleged proliferation of donors has occurred in Indonesia from 2000 to 2005. By donor proliferation we refer to an increase in the number of donors. In order for us to examine the aid architecture more fully, it is necessary to go beyond the foreign donors, deeper into the aid chain to look at the proliferation of projects and of other agencies such as national counterpart and implementation agencies.

We will look at the proliferation of the following key actors:

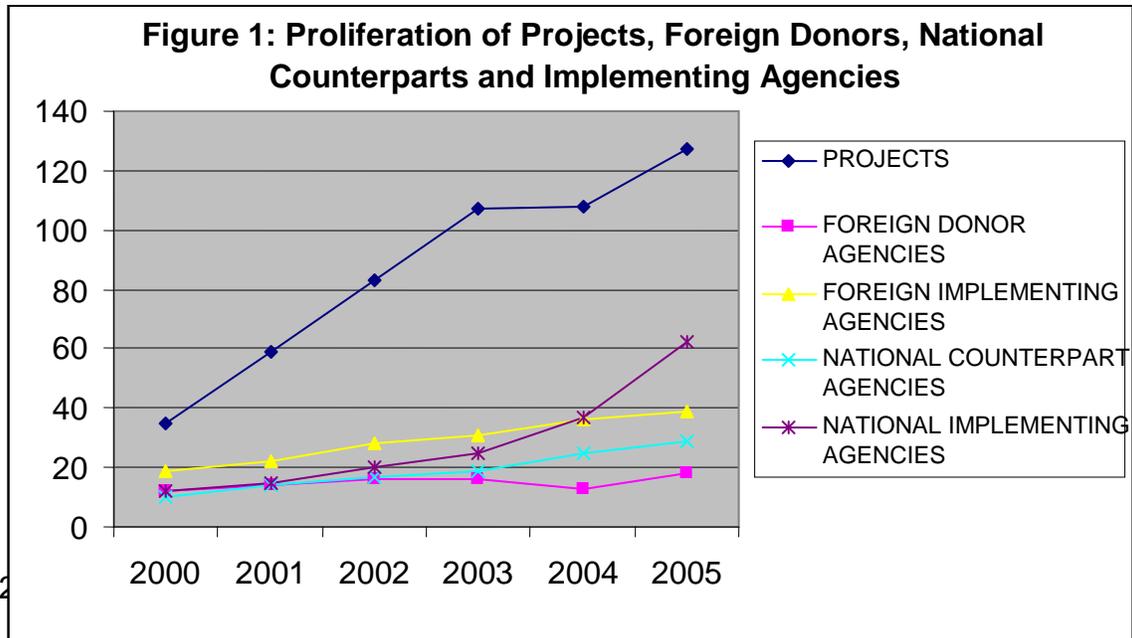[1] A list of all included projects is available from the authors.

1. Foreign donor – the organisation that provides funds to a recipient government. Donors may be multilateral or bilateral. Most of the bilateral donors we are dealing with are governments, but they can also be private organisations such as NGOs or foundations.

2. Foreign implementing agency – a foreign agency charged with carrying out the funded project. Some foreign donor agencies also carry out the project, some entrust the implementation to other foreign organisations including multilateral bodies, bilateral governmental organisations, international NGOs, or private companies.

3. National counterpart – agency of the recipient country that deals directly with the donor agency (negotiates the terms of the agreement or contract, monitors the project, and so on). Often, but not always, it is also the national implementing agency.

4. National implementing agency – an agency belonging to the recipient country that is charged with carrying out the funded project. It may be a government ministry, locally based NGO, or private sector organisation.

Table 1 and Figure 1 bring together the key findings concerning proliferation. What stands out straight away is the enormous proliferation of projects. Donor agencies have also increased in number but much less so than the other agencies involved in the aid chain. The remainder of this section examines these trends in more detail.

Table 1: Proliferation of Projects, Foreign Donors, National Counterparts and Implementing Agencies concerned with Governance Reform Sector

Year	Projects	Foreign Donor Agencies	Foreign Implementing Agencies	National Counterpart Agencies	National Implementing Agencies
2000	35	12	19	10	12
2001	59	14	22	14	15
2002	83	16	28	17	20
2003	107	16	31	19	25
2004	108	13	36	25	37
2005	127	18	39	29	62
2000 - 5	217	22	58	37	77 +

Note: Most projects run for more than one year, so the 2000-5 row is not the sum of the previous years but the total number of projects or agencies that were actively concerned with governance reform during some of those years.

Figure 1: Proliferation of Projects, Foreign Donors, National Counterparts and Implementing Agencies

- PROJECTS
- FOREIGN DONOR AGENCIES
- FOREIGN IMPLEMENTING AGENCIES
- NATIONAL COUNTERPART AGENCIES
- NATIONAL IMPLEMENTING AGENCIES

- The number of foreign donors has increased from 12 to 18, indicating that some donor proliferation has taken place. However, given the number of foreign donors fell in 2004 before increasing again the following year, this increase was not steady.

- The number of projects increased from 35 to 127. There was a steady increase until 2003 when the rate slowed somewhat before continuing to rise again. Project proliferation has thus been very substantial.

- It is also interesting to compare the increases in the number of projects with the increases in the number of agencies who funded these projects. The data shows that the increase in projects is far greater than the increase in donors, indicating that most donors have several projects. As will be shown later, some donors spread their efforts between many different projects whilst others concentrate their aid on a few specific projects, so project proliferation varies among donors.

2.2 The proliferation of counterpart and implementing agencies

- The number of foreign implementing agencies, national counterpart agencies and national implementing agencies has also increased over time.

- The proliferation of national counterpart agencies and national implementing agencies is surpassing that of foreign donor agencies and foreign implementing agencies. This means that although foreign agencies are also increasing in number, donors are diversifying their aid to a larger number of counterparts, and an increasing number of national implementing agencies are drawn into aid delivery.

- The fact that the number of national implementing agencies is increasing faster than the number of national counterpart agencies shows that the counterpart agency does not necessarily become the implementing agency for any aid project and that the counterpart agencies are increasingly passing on the implementation to other national agencies.

2.3 Main donor agencies and donor countries

We will now examine the earlier data in more detail, showing which donors contributed most to the proliferation of governance reform projects. To this end we will distinguish between multilateral and bilateral donors and disaggregate the latter by country. As shown in Table 2 and Figure 2, there is great deal of variation between donor agencies, countries and over time.

Table 2: Importance of main donors in terms of number of projects per year

Foreign Donor Agency	2000	2001	2002	2003	2004	2005	2000-2005	
							Absolute	Percentage
1. ADB	3	6	5	6	7	8	14	6.5
2. EC	2	3	6	7	15	22	28	13
3. ILO		1	1	1			1	0.5
4. IMF				2	2	2	2	1
5. IOM						3	3	1.5
6. UNDP	4	12	15	16	6	5	19	9
7. UNESCO	1	3	9	8			10	4.5
8. World Bank	4	6	5	8	10	14	19	9
TOTAL (MULTILATERAL)	74	31	41	48	40	54	96	44
9. Australia	3	6	8	9	12	8	15	7
10. Canada	7	8	7	10	10	5	17	8
11. Denmark			3	9	15	9	15	7
12. France					1		1	0.5
13. Germany	1	1	4	7	7	12	12	5.5
14. Japan			3	4	5	7	9	4
15. Netherlands	5	8	10	15	14	16	28	13
16. Norway	1	1	1	1			1	0.5
17. Sweden	1	1	2			4	6	3
18. UK		1	1	3	4	4	5	2.5
19. USA	3	3	3	1		5	9	4
TOTAL (BILATERAL)	21	29	42	59	68	70	118	54.5
20. Asia Foundation						1	1	0.5
21. ICITAP						1	1	0.5
22. Oxfam-GB						1	1	0.5
TOTAL (NGOs)						3	3	1.5
ACTIVE PROJECTS DURING 2000-2005	35	60	83	107	108	127	217	100

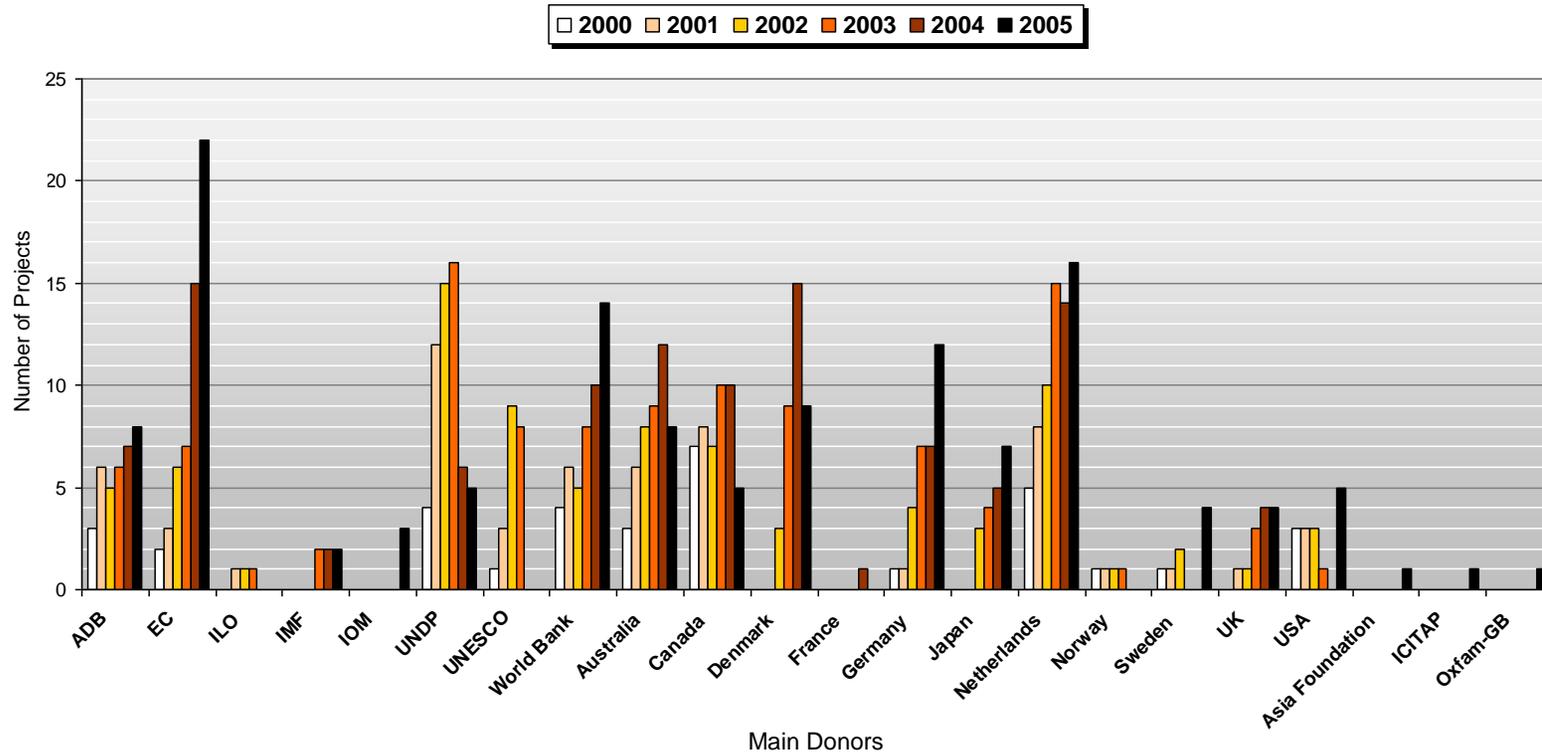# Figure 2: Main Donors in Governance Reform According to Number of Projects Per Year 2000-2005

Table 2 and the corresponding bar chart show that the number of projects funded by bilateral donors increased whilst multilateral donors decreased their number of projects, indicating that donors were increasingly working bilaterally on governance reform as opposed to contributing to multilateral agencies. (As seen later, this does not necessarily mean that these bilaterals preferred to operate on their own, some of them were very active in coordinated efforts.) The EC operated the most projects among the multilateral institutions and the Netherlands took the leading role out of the bilateral institutions, both with 28 projects in total.

There were 6 donors that increased their number of projects, notably the EC and Germany. There were also donors that decreased the number of their projects, notably UNDP and Australia. A decrease is not necessarily due to a lack of interest in governance reform, but rather can be indicative of a shift from project to program support. The project proliferation of others such as ADB and Canada fluctuated somewhat. It is clear that donors are not homogenous actors; they proliferate at different rates over time.

2.4 The Distribution of Governance Reform Aid

Governance Reform can refer to many things. This brief section gives an indication of the governance domains targeted by donors. For this purpose we adopt the distinctions used by 'The Partnership of Governance Reform'. Its Annual Report 2004 distinguishes between seven domains of governance reform: Law and Legal Reform, Anti Corruption, Police and Security Reform, General Elections, Decentralization, Civil Service Reform, and 'Others'. It is interesting to see which domains within the sector of governance reform receive the most aid from donors

Table 3: Projects by Domain within Governance Reform 2000-2005

Domain	Percentage of total number of projects
Civil Service Reform	18
Anti Corruption	17.5
Decentralization	11.5
Law & Legal Reform	9.5
General Election	8.5
Police & Security Sector Reform	5.5
'Others'	31.5
Empowering Civil Society Organisations	7.5
Media & Democracy	5
Human Rights	4.5
Finance Reform	4
Gender	2.5
Peace	2
Capacity Building	1.5
Public Education in Governance Reform	1.5
Parliamentary Reform	1
Policy Making	1
Unspecified	1
Total	100

The table shows that the domains within governance reform that received by far the highest number of donor-funded aid projects are Civil Service Reform and Anti-Corruption. These two domains are highly interconnected and they affect other domains of governance reform as well as all aspects of society. It is important to note that the number of projects in different domains overlap with one another in that one project may cover more than one domain of governance reform. Many of the civil service reform projects are also anti-corruption projects due to the corruption problems in the civil service in Indonesia.

The table also shows that the majority of the projects are in the category of 'Others' and that within this category 'Empowering Civil Society Organisations' and 'Media and Democracy' have attracted most aid projects. This links with the issues of anti-corruption in the civil service as CSOs and the media industry are the main mediums through which corruption cases are publicised in Indonesia.

To conclude, this section has shown that donor agencies have given a great deal of attention to governance reform. The number of donor agencies active in Indonesia has increased by 50% and the number of projects funded by these donors increased by 263%. These increases varied by donor agency and donor country and varied with the domain of governance reform. However, even taking into account these variations does not provide a sufficient picture of the aid architecture, as there were significant efforts of coordinating aid for governance reform. Section 3 shows why such coordination had become essential, what form it took, how much progress was made and why this progress was in the end limited due to reasons on both the donor and recipient side.
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3. Donor Coordination

Although it can be argued that more donors means more choice for the recipient, it has the proliferation of donors seems to have a negative effect on the development of state capacity in the recipient country. As mentioned earlier, the reasons are that donor proliferation often raises transaction costs, undermines the recipient government's capacity to develop a strategic approach, disrupts organizational leaning and generates parallel institutions.

These problems arising from donor proliferation have been increasingly recognized. As a result, the international development community has agreed to co-ordinate their actions. The most explicit and detailed agreement is the Paris Declaration of 2005 in which donor agencies commit to co-ordinate amongst themselves and support the recipient government's own development strategies. The expectation is that greater coordination would reduce the problems caused by proliferation. This section will examine the extent and form of donor coordination in governance reform in Indonesia during the period 2000-2005.

3.1 Types of coordination

Before exploring the practice of donor coordination in Indonesia, it is important to clarify what we mean by coordination. The term has been employed in various ways: some use it to mean just the coordination of donors, others see it as involving the recipient government. Confusingly, other terms such as harmonization and alignment are used both to have the same meaning as coordination, and to distinguish between different types of coordination.

The Club de Sahel's definition is: 'Aid coordination refers to any institutional interface between a set of donors and partner recipient organizations'.[2] Disch has suggested distinguishing between three degrees of coordinating interactions.[3] Starting with the lowest degree of coordination, the first is information sharing, either between the host government and the donors or within the donor community. The second is agreement of common policies, priorities and principles. Finally, the most advanced degree of coordination involves acceptance of a clear set or procedures and practices for the implementation of activities in terms of joint support programs, budget support programs and pooling funds.

Donor coordination is not an objective in itself; its purpose is to provide more effective support to the recipient. For this to occur, donors need to subordinate their projects to recipient government priorities. This requires coordination both amongst the donors themselves and amongst the government agencies before donor-government coordination can take place. The problem is that this does not always happen – failure to coordinate can occur on both sides. But in principle we can look at the coordination chain as shown in Figure 3.

Figure 3: Flow of Coordination
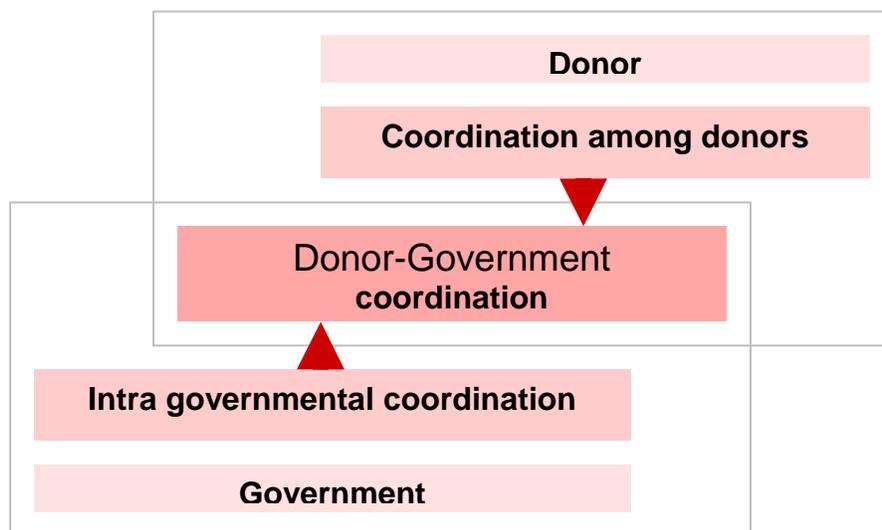
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[2] Club du Sahel. "A Review of Aid: Co-ordination Mechanism". SAH/REFA (2000) 3. Paris: Organization for Economic Development and Cooperation. 2000.
[3] Arne Disch, "Aid Coordination and Aid Effectiveness: A Report Submitted to the Norwegian Ministry of Foreign Affairs by ECON Centre for Economic Analysis", Rapport8.pdf

Figure 3 shows how coordination between donors and the government may take place either after the donors coordinate amongst themselves or after intra-governmental coordination, depending on who starts the initiative - the donor or the government.

3.2 The main initiatives in coordination

This section presents the main initiatives of coordination in governance reform. Coordination between donors and the government has been happening for some time. Country-level coordination in Indonesia involving donors and the government has taken place mainly through the Intergovernmental Group on Indonesia (IGGI). This was established in 1967 and chaired by the Netherlands but was dissolved in 1992 by the Indonesian government.[4] Its successor, the Consultative Group Indonesia, the CGI forum, was established in 1992. The purpose of these forums was to facilitate donor-government communication and bring all bilateral and multilateral donors in Indonesia together to discuss aid to Indonesia, including aid to the governance reform sector. In 2000 the CGI established Donor Working Groups in order to bring together donors working in specific areas, and Joint Working Groups which were attended both by donors and representatives from the Indonesian government. The CGI became the target of accusations that the forum was being used by donors as a tool to pressure the government to implement policies favored by the donors at the expense of the government's own priorities.[5] In 2007 the CGI was dissolved by the Indonesian government, under the presidency of Yudhoyono.

The main coordination initiatives specifically concerned with governance reform are:
- the Partnership for Governance Reform,
- the Decentralization Support Facility,
- the Multi Donor Trust Fund and
- the Eastern Indonesia Program.

These are all examples of selective coordination, in other words, only some donors participate. As can be seen from Table 4, which presents a summary of the main features, there are many differences between these initiatives. We now proceed to present them in turn and later present critical reflections coming from published sources or from the officials we interviewed.

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[4] Sugeng Bahagijo, "Indonesia: Governance within the Consultative Group On Indonesia: partnership or domination?", http://www.realityofaid.org/roareport.php?table=roa2004&id=62, accessed September 2006.
[5] This view was expressed in an interview with Ms. Binny Buchori from Yayasan Prakarsa.

Table 4
Coordination Initiatives concerning Governance Reform in Indonesia

Coordination Initiative	Form	Sectors/Field	Geographical Scope	Founded by	Operated/ administered by	Main Donors
The Partnership for Governance Reform in Indonesia (est. 2000)	Association, the budget for which comes from donor contributions (pooling fund)	Governance Reform	Nation-wide	UNDP, ADB and the World Bank	Indonesian stakeholders, with donor contributions managed by UNDP	Netherlands, EU, UK, Japan
Decentralization Support Facility (DSF, est. 2006)	Pooling Fund of Donors	Decentralization	Nation-wide	ADB, DfID, Netherlands, UNDP, the World Bank	DfID	DfID, ADB, Netherlands, UNDP, the World Bank
Multi Donor Trust Fund for Aceh and Nias (est. 2005)	Pooling Fund	Various sectors (including governance) in the field of the reconstruction and rehabilitation of tsunami-affected areas	Aceh and Nias	The World Bank	The World Bank	EU, Netherlands, UK, the World Bank
Eastern Indonesia Program	Pooling Fund, supported by three pillars: (1) Forum KTI as dialogue forum of stakeholders, (2) SoFEI as coordination office, (3) BaKTI as knowledge center	Various sectors, including governance	Eastern Indonesia	UK and Netherlands (financial support), AusAID (technical assistance), CIDA, GTZ, World Bank	The World Bank Office in Jakarta.	World Bank, DfID, Netherlands, followed by AusAID, CIDA, GTZ, JICA, USAID, etc.

The Partnership for Governance Reform in Indonesia

The Partnership for Governance Reform in Indonesia (The Partnership) is an ambitious cooperative association between stakeholders of local, national and international backgrounds, with the purpose of improving governance in Indonesia. Stakeholders include the Indonesian government, NGOs, the private sector, various donors, think tanks and Indonesia's international development partners.[6] It was established in the year 2000 in response to the increasing demand for governance reform after the outbreak of a multidimensional crisis in Indonesia.

The Partnership structurally consists of the Facility for Policy Dialogue and Analysis (the Facility) and the Indonesian Governance Trust Fund (the Fund).[7] The Facility supports national dialogue on governance reform and provides strategies and ideas to advance the reform agenda. It works closely with the governance divisions of other agencies, particularly the UNDP, the World Bank and the ADB. The Fund, on the other hand, supports Indonesian institutions and entities to further their activities, especially by the provision of aid from bilateral and multilateral donors. To date, its main contributors are the Netherlands, the EU and the United Kingdom, followed by Japan, Sweden, Canada, UNDP, Australia and other bilateral donors. The UNDP manages these donor contributions to the Fund.

The UNDP, ADB and the World Bank have dual responsibilities within the Partnership.[8] They provide strategic guidance and advice in terms of developing priorities and also implement and manage specific projects. These three founding agencies each specialize in different domains within the agenda of governance reform: UNDP focuses on the electoral systems, management, legislative empowerment, and strengthening civil society and the media; the World Bank concentrates on judicial reform and civil service reform; and ADB looks at corporate governance.[9] Because governance reform in Indonesia covers such a vast range of different domains, each with its own difficulties, the task of the Partnership represents a huge challenge for both the donors as the providers of resources, as well as the Indonesian government as an entity in need of reform.

Overall, the Partnership is led by a Governing Board which is largely Indonesian, including representatives from the Indonesian Government, legislature, judiciary, civil society and the private sector. This group also includes representatives from the three multilateral agencies and bilateral donors.[10] Although to a certain extent the Partnership's activity is dependent on the contributions of the donor community, because Indonesians make up the majority of its governing board, the Partnership is claimed to be Indonesian in identity, although this is fiercely debated as we will see later.

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[6] *The Partnership for Governance Reform in Indonesia Annual Report 2004,*

[7] *The Partnership for Governance Reform in Indonesia* Publication, August 2000, p.6.

[8] *Ibid.*, p.3.

[9] Ibid., p.3-4.

[10] The official website of the Partnership for Governance Reform, http://www.kemitraan.or.id/page/about-partnership/. Last accessed 30 August 2007.

Decentralization Support Facility (DSF)

Before the Decentralization Support Facility was established, there was the Working Group on Decentralization which was set up under the CGI. The need to establish a mechanism for enhanced coordination was recognized, but because this depended on greater input from government agencies, discussion of appropriate coordination of the Working Group was suspended by JICA in 2004. In 2005 a multi-donor harmonization facility, The Decentralization Support Facility (DSF) was established by five donors[11], namely: the ADB, the British Department for International Development (DfID), the Netherlands, the UNDP, and the World Bank, with an initial US$ 8 million grant from DfID. Not all donors working on decentralization have joined the DSF. This can be explained by the view of some donors that the DSF overlaps with the DWG on decentralization and by the limited funds donors have to join the coordination effort.

The DSF was designed to support the government in strengthening decentralization by improving the coordination and effectiveness of donor support at all levels of the system. This is achieved by the coordination of the founding donors in planning, funding, disbursement, monitoring, evaluating and reporting to the government. This multi-donor initiative enables the reduction of duplication of missions. The role of the DSF includes: promoting procedures and policies that support civil society; providing models for reducing corruption; strengthening networks and mechanisms for sharing information and disseminating successes and failures across communities and districts; taking advantage of multiple projects in selected communities and districts to hold a more comprehensive dialogue with local actors; monitoring and evaluating ongoing programs; and defining a core set of services across individual projects at the local level that are necessary for successful project development and implementation. The DSF had also developed the Governance and Decentralization Survey as a key component of a comprehensive monitoring system on local government performance. It serves as benchmark for tracking decentralization and identifying best practices across more than 400 local governments in Indonesia. Through the DSF, donors seek out local governments committed to enhancing accountability and strengthening their capacity and offer coordinated assistance that builds on the existing programs of each institution.

The DSF is considered to be an innovative multi-donor initiative which has set the example of an advanced level of coordination that goes beyond information sharing.

We now present briefly two initiatives which do not primarily focus on governance reform, but which are of interest here because they have a major governance component in their agendas and because they are examples of donor coordination in Indonesia.

Multi Donor Trust Fund for Aceh and Nias

This pooling fund is another example of donor's efforts to coordinate. It was established to rehabilitate Aceh and Nias after the tsunami in 2004. Given the area's past problems of political conflict and the pervasive nature of the governance sector, governance reform was a priority in addition to the physical reconstruction of the area. The initiative was made possible by the coordination of donors and the cooperation between the

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[11] Decentralization Support Facility (DSF) - Indonesia, "Aid Effectiveness Case Study",
http://www.asiandevbank.org/Documents/Events/2006/Aid-Effectiveness/country-papers/INO-DSF.pdf,
August 2006.

World Bank and the Indonesian government. Because the government was struggling to manage the rapid flow of aid into the country after the tsunami, there was a great need for aid coordination in order to distribute aid more efficiently and equally. The government decided bilateral and multilateral contributions should be channeled though a Multi Donor Trust Fund, which the World Bank then designed.[12]

The Eastern Indonesia Program

The Eastern Indonesia Program was established in 2004 to tackle the specific issues of the region, which despite its richness in natural resources, suffers from underdevelopment, especially in terms of welfare and human capacity. This hinders constructive dialogue between central and regional stakeholders. The top-down, 'one-size-fits-all' design of many programs which have been implemented in this region fail to take into account local conditions, leading to inappropriate and unsustainable development programs and corruption issues.

The program is divided into three main areas: the Eastern Indonesia Forum (Forum KTI), the Multi-donor Support Office for Eastern Indonesia (SOfEI)[13], and the Knowledge Exchange for Eastern Indonesia (BaKTI). These three areas were being established in an attempt to address the focal points of the Paris Declaration. Indeed the Forum KTI aims at ownership in programs and alignment of development priorities in the region; it seeks to build mutual accountability and promote harmonization through the operation of the SOfEI in Makassar; and it ensures that programs are managed for results through BaKTI.[14] The Eastern Indonesia Program is supported by the British and Dutch governments, AusAID, CIDA and GTZ. The funds are administered by the World Bank Office in Jakarta.

3.3 Reflections on extent and form of coordination

The above initiatives constitute significant advances in donor coordination, both between donors and between donors and the government. This section reflects on the limitations of these efforts so far. The clearest sign of this limitation is the lack of a single body that reliably collects information on donors and their projects. While this is probably true for all areas of foreign aid, it was particularly striking in the domain of governance reform to which donors and government have accorded such high priority. We became very aware that nobody had comprehensive data on all projects because it took us a lot of time to assemble the information presented in Section 2 of this paper. Collecting more systematically the scattered project information is clearly an essential step towards greater coordination. This role would ideally be carried out by the Indonesian government but would require collaboration from all donors.

We will now look more closely at the extent to which donors participate in coordinated activities aimed at governance reform. Not every donor takes part in each of these coordination efforts and some donors only join some of them. For example, although the idea of establishing an appropriate coordinating mechanism in decentralization was

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[12] The Multi Donor Trust Fund for Aceh and Nias, "The First Year of the Multi Donor Trust Fund: Results, Challenges and Opportunities", Progress Report II: June 2006, p.18.
[13] The Eastern Indonesia Program, *Quarterly Report,* April 2006 p. 1
[14] The Eastern Indonesia Program, *Quarterly Report,* April 2006 p. 1

being spelled out in a CGI Donor Working Group from 2004, not every donor in that working group became a member of the DSF. Bilateral donors that actively take part in coordination are among others, the Netherlands and Canada. Other bilateral donors such as Norway are choosing to pool their funds through larger institutions like the UNDP[15], for the reason that as a single donor, their contribution is not that sizeable in comparison with other donors in other sectors.[16]

The extent of coordination is also called into question when we consider the fact that some donors still fund their own independent governance reform projects whilst also contributing to the Partnership. This highlights several trends in terms of the extent of donor coordination. Firstly, some donors both act independently and pool their funds. Secondly, donors focus their aid on projects in specific domains of governance reform. Thirdly, despite the rise of donor coordination, the proliferation is increasing, although it is not as great as it would be without the existence of these coordinated initiatives. With donors putting their 'eggs' in several 'baskets', proliferation is still continuing.

While the cases we have looked at above demonstrate a relatively advanced degree of coordination and have led the way for other donor coordination efforts, they still have their sceptics. A big issue when it comes to coordination between donors and the government is whether it is led by the donors, the government, or joint-led. Central to the Paris Declaration agreed by both by donors and their recipients was the idea of recipient ownership and the alignment of the donor's system with that of the recipient country. Ideally, the recipient government should be generating its own ideas which are only supported by donor funds and expertise. However, it is often the case that donors end up taking the lead and letting their own agenda and system dominate the aid relationship, at the expense of the recipient government's priorities.

Indeed there has been a debate over these issues with regard to the Partnership. Although the Partnership still relies heavily on donor contribution and its funds are still administered by the UNDP, it is gradually being recognized as an independent entity. Crawford has claimed that the concept of 'partnership' as applicable to the Partnership is not a reality, but in fact hides the unequal power relations between national stakeholders and international actors. He argues that international agencies still retain control of the governance reform agenda. [17] Crawford and Hermawan go as far as referring to ''partnership "and "national ownership" in this context as a "myth", and claim that international agencies continue to intervene in order to implement reforms promoting economic liberalization rather than democratic political reform.[18] However, Mallarangeng and Van Tuijl disagree, arguing that power relationships between international and domestic stakeholders are more complex. They claim that the Partnership shows how

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[15] As expressed in our interview with Norwegian Embassy staff, 2006.
[16] "Indonesia: Utstein donor support to the Partnership for Governance Reform", accessed through Utstein Anti Corruption Resource Center website, http://www.u4.no/themes/coordination/donor-coordination-indonsia.pdf, 2006

[17] Crawford, Gordon. "Partnership or Power? Deconstructing the '*Partnership for Governance Reform'* in Indonesia. *Third World Quarterly,* Vol. 24. No. 1. 2003

[18] Crawford, Gordon and Yulius P. Hermawan, "Whose Agenda? "Partnership" and International Assistance to Democratization and Governance Reform in Indonesia". *Contemporary Southeast Asia,* Vol. 24, No.2, August 2002

Indonesians have increasingly shown the ability to develop long-term strategies and demonstrate leadership in the face of donors.[19]

3.4 The difficulties in coordinating

Donor coordination is important in order to counter the negative effects of donor proliferation. But there are various issues which can make coordination difficult and can explain why often the extent of coordination is not always as great as it needs to be for aid to be more effective. In this section we will explore issues which present challenges to coordination arising both between donors and between donors and government.

To begin with donor-government coordination, this is often hampered by donor perceptions that government slows down progress. Donors such as USAID claim that they avoid informing the Indonesian government of their activities because the government's time consuming bureaucracy may delay the realization of the aid project [20]. We can see that coordination is sometimes caught in a vicious circle: to increase the effectiveness of aid for governance reform, coordination with the government is necessary, but the government's own way of operating makes this coordination difficult. Donors interviewed claimed it was problematic to coordinate with a government which does not have a consensus between governmental agencies on its principle aims and priorities.[21] Coordination was found to be problematic between the Ministry of Home Affairs, the Ministry of Finance and the National Planning Agency with regard to decentralization.[22] Such a lack of intra-governmental coordination can hinder donor-government coordination and can lead to donor-driven aid projects where the donor makes a blueprint on behalf of the government. Indeed in practice projects are mostly initiated among donors, consulted with stakeholders and then only after the project is decided upon is the government engaged. A perhaps more effective alternative that is more in line with the Paris Declaration is the 'process approach' by which the donor arrives at a development agenda through a process of interaction with the recipient country to ensure that the beneficiaries receive what it is they really need.

A UNICEF official stated that one of the difficulties in coordinating with the government arises from the fact that only a small proportion of Indonesia's national budget is comprised of Official Development Assistance (ODA). On the one hand, a low percentage of ODA increases the government's independence to implement their own policies, but on the other hand it also means that the government is less likely to practice strategies which would enhance donor-government coordination, such as intra-governmental coordination and clearer policy frameworks. [23]

To move onto donor-donor coordination difficulties, an issue limiting chances of successful coordination is competition between donors. They want to be seen to be taking the lead in new initiatives, seeking to impress each other and seeking praise from their home country. It is difficult to do this by joining coordinated activities and easier to

[19] Mallarangeng, Andi and Van Tuijl, Peter. "Breaking new ground or dressing-up in the Emperor's new clothes?: A response to a critical review". *Third World Quarterly*. Vol 25, No. 5. 2004
[20] Interview with Kenneth Lizzio, USAID, 2006
[21] From interview with Ford Foundation, Ministry of Home Affairs and EC Representative, 2006.
[22] As expressed in interview with Indonesian Ministry of Home Affairs, and as stated in Thomas Walsh, "Perceptions of development Partners and Evidence on Aid Effectiveness in Indonesia: A Report Submitted to the DFID", September 14, 2005, p.12.
[23] Interview with Marcoluigi Corsi from UNICEF

achieve this by funding their own projects that are thought to be prestigious. Fashions and prestige matter in the donor community and tend to lead to competition and proliferation in particular fields rather than coordination.[24]

Donors are often unwilling to coordinate with one another due to the divergence of procedures and agendas among donors, which can complicate donor's efforts to coordinate with each other and requires more resources. The reluctance of donors to coordinate can stem from the belief that the costs of coordinating, both in terms of time and money, are higher than that of providing uncoordinated aid themselves. It seems that there is a lack of incentives for donors to coordinate, both with government and with other donors. For the aid chain to benefit from successful coordination, these issues need to be countered by innovative ideas from those involved in the aid process.

A particular difficult lies in the institutionalization of the coordination function. At present, effective coordination relies heavily on personal contacts and networks.[25] A particular individual of an agency may take the initiative to bring donors and stakeholders together, but the risk is that this effort lasts only for as long as this particular member of personnel holds office, with the coordination collapsing when this person moves to another post or retires. Coordination practiced on this personal basis, although less costly, is often not sustainable in the long-term.

4. Conclusion

The key findings of our research into the extent and form of donor proliferation and coordination in governance reform can be summarised as follows.

4.1 Main findings on donor proliferation

- There has been a proliferation of donors, though it has not been a steady increase.
- There has been a more dramatic increase in the number of projects. Donors deal with multiple projects each year.
- The extent of project proliferation varies among donor agencies. Bilateral agencies have increased the number of projects much more than the multilateral agencies.
- The number of foreign implementing agencies, national counterpart agencies, national implementing agencies has increased over time, more so than the number of donor agencies.
- Donors are concentrated in certain domains of governance reform. The domains within governance reform that received the highest number of donor-funded projects are Civil Service Reform and Anti-Corruption.

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[24] As expressed in interview with Indonesian Ministry of Home Affairs, and as stated in Thomas Walsh, "Perceptions of development Partners and Evidence on Aid Effectiveness in Indonesia: A Report Submitted to the DFID", September 14, 2005, p.14.
[25] Interview with Piter Edwards, Program Manager in Governance for the AusAID, held in November 22, 2006.

4.2 Main findings on donor coordination

- Donor-coordination has been happening for some time and has taken place largely through the CGI. The CGI and the working group meetings were the lowest degree of coordination, information sharing.

- While the CGI's declared aim was to coordinate also with the government, it was perceived to be a forum in which donor agencies reviewed and judged the performance of the government and was therefore closed down by the Indonesian President.

- In the field of governance reform there are two major coordinated initiatives: the Partnership for Governance Reform and the Decentralization Facility. They have brought together a range of foreign donors and national actors and engage in activities go beyond the information sharing degree and extend to joint funding and joint implementation.

- They represent a significant step towards the Paris Declaration in terms increasing coordination between donors but it is controversial whether these initiatives demonstrate the subordination to the government's priorities.

- While there are significant coordinated activities in the sector of governance reform, they do not embrace all donors or all projects. Many projects continue to be carried out separately in an uncoordinated way. Proliferation of projects continues

- Some donors participate more actively in coordination than others and some donors both act independently and pool their funds and implementation.

- Coordination often relies on personal contacts and networks. This is rarely sustainable in the longer term.

- The obstacles to further donor coordination lie on both the donor and government side. On the government side, the main problem is that different levels of government (national, provincial, district) and different departments have different priorities and widely varying capabilities.

- On the donor side, the main problems are first, the need to adhere to agency internal priorities, procedures, and time schedules and second, competition between agencies in launching recognizable and fashionable projects.

- A further difficult lies in the cost of coordination. Both sides incur considerable costs, in particular the time required to exchange information (in writing or meetings) and the cost of adjusting their own funding and implementation plans to that of others.

- There are insufficient incentives to coordinate. Donor and government officials tend to perceive the cost of coordinated action as higher than the cost of uncoordinated action.

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List of Agencies Interviewed

Asian Development Bank
Australian Agency for International Development
Canadian International Development Agency
Decentralization Support Facility for Eastern Indonesia (SOfEI from Eastern Indonesia
Program)
EU Representative in Jakarta
Ford Foundation
Japan International Cooperation Agency
Ministry of Home Affairs
Ministry of State for National Development Planning (Bappenas)
Netherlands Embassy in Jakarta
Partnership for Governance Reform
Provincial Development Planning agencies, the Province of South Sulawesi
Royal Denmark Embassy in Jakarta
Royal Norwegian Embassy in Jakarta
UNDP
UNICEF
USAID
World Bank
Yayasan Prakarsa