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INDONESIA'S SOUTH-SOUTH
COOPERATION AND THE FUTURE OF
INDONESIAN AID**

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Nurturing the Levelled-Up Indonesia's South-South Cooperation and the Future of Indonesian AID

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Abstract

This paper aims to review Indonesia's significant progresses in developing its capacity in providing technical assistance within the framework of South-South Cooperation (SSC). The year 2019 had witnessed some advancements in the management of development cooperation towards the establishment of the future Indonesian Agency for International Development (Indonesian AID). These developments are reflected from the allocation of endowment fund as a source funding, series of studies conducted to prepare the establishment of Indonesian AID, the enactment of regulatory frameworks for the agency, and finally the launching of the *Lembaga Dana Kerja Sama Pembangunan Internasional* (LDKPI) or the Indonesian AID in October 18, 2019. Aside from reviewing those progresses, this paper also offers some proposals regarding measures and steps to undertake in order to achieve the agency's main purpose and objectives.

JEL Classification: F50; H11; O19

Keywords

Indonesia — South-South Cooperation — Indonesian AID — Regulatory Framework

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1. Background

Indonesia has been known as one of the initiators of South-South solidarity since the Asia-Africa conference in 1965. The Government of Indonesia's (GoI) earnestness in strengthening its role in this area has indicated by the establishment of the National Coordination Team for Indonesia South-South Cooperation (NCT – ISSC) in 2010. The NCT – ISSC basically a coordination team that consists of four ministries, i.e. the Ministry of Foreign Affairs (MoFA), Ministry of Finance (MoF), Ministry of State Secretariat (MoSS), and Ministry of National Development Planning (Bappenas). Integrating four different ministries to achieve one goal had never been easy considering, ISSC management was only an additional task for each ministry involved, and the resources (both human and financial) allocated to program were very limited. Things got more complicated as at the level of technical implementation, ISSC programs and activities were mostly spread among various line ministries.

The NCT – ISSC formation was intended to solve the fragmentation problem but apparently it was not quite effective yet. There were some reasons behind this: (1) ISSC management through the NCT – ISSC was mandated not as primary but only as an additional function of every institution involved in the NCT. So, the NCT's available resources (human and financial) were not enough to cover all the duties properly; (2) the problem of budget tagging¹ has not been resolved, so the funding disbursements of the ISSC program implementation were spread among line ministries and difficult to manage. Several line ministries were even

unaware of the characterization of ISSC activities or programs and thus failed to report them as part of the ISSC activities; and (3) the coordination among the NCT members was still not yet effective while the coordination with other related line ministries was another homework. By having the aforementioned issues, the NCT – ISSC had been struggling with the unconsolidated national budget and less coordinated ISSC program implementation.

2. The Brighter Side of the NCT – Indonesia SSC's Achievement

Despite all the aforementioned reasons, the NCT – ISSC had succeeded to deliver some significant progresses. One of the fundamental progress achieved by the NCT ISSC was the implementation of a decent business process equipped with standard operating procedures (SOP)² and division of work (NCT – ISSC, 2017). The NCT – ISSC designed a division of work that categorized the four-member ministries into three working groups. Working Group 1 (WG 1) mandated to MoFA and Bappenas which aimed to focus on capturing demand from other development countries and organizing the supply management issues as well as the program development of ISSC. Working Group 2 (WG 2) was mandated to MoF and Bappenas to manage the program and funding of the ISSC activities. Working Group 3 (WG 3) was mandated to MoFA and MoSS for monitoring and evaluation, public relation, and knowledge management of ISSC data and activities. Those 3 working groups were later being assisted by a team of Secretariat ISSC consist-

¹Budget tagging are a method from MoF that being used by related line ministries to mark/define budget disbursement on specific subject.

²The Standard Operating Procedure of the NCT – ISSC was formulated in 2010.

ing liaison officers (LO) for each of working group. The composition can be seen below on Figure 1.

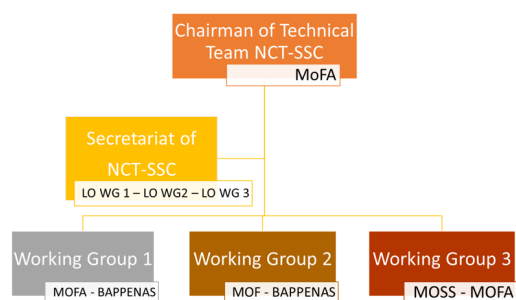


Figure 1. The Structure of NCT-SSC's Working Group

Source: Indonesia's Progress in South-South Cooperation: Advancing Together to A Better World, 2019

The structure above managed to deliver some notable performances. This formation had led to agreement on determining the priority countries for ISSC development program and the flagship program of ISSC (NCT – ISSC, 2017). The NCT – ISSC mapped the priority countries annually as a reference to related line ministries who conduct a bilateral or trilateral development program in the framework of ISSC. To determine the priority countries, the NCT – ISSC was taking into account the Presidential commitment to partner countries and the socio-economic benefits that expected to be obtained from partnering the countries. Several countries that have been familiar with ISSC activities are Timor Leste, Fiji, Palestine, and Afghanistan. Indonesia has partnered to those countries many times in conducting the ISSC activities, either in the area of development, capacity building, good governance, economics, or peacekeeping.

Another important achievement of the NCT – ISSC was their ability to develop public awareness regarding Indonesia South-South Cooperation (ISSC) to both ISSC stakeholders and public in general. In fact, in 2017, the NCT – ISSC developed a communication strategy. This communication strategy was aimed to overcome the inadequate awareness and political support for ISSC activities. The communication strategy was divided into short, medium, and long term. The short term was meant to raise the awareness of all the ISSC stakeholders and strengthen the internal coordination among NCT – SSC members and external coordination with the related line ministries. While the medium-term strategy was purposed to boost the public acceptance and support towards ISSC and increase collaboration and inclusion of all stakeholders such as Parliament, Media, Private Sector, Development Partners, and Academic. Lastly, the long-term strategy intended to pursue public trust towards ISSC. Eventually, awareness on ISSC has risen, both from the internal government and from outside the government, such as the development partners, media, private sectors, and academician. It can be seen through the raising involvement of line ministries, private sectors, academics, and development partners as reported in the NCT – ISSC's Annual Report from 2014–2018. In addition, media coverage on Indonesia SSC program and activities were also increased at the local and national levels. The NCT – ISSC had also tried to publicize the ISSC to the international community by incorporating the issue of ISSC in some notable international events such as Asia-Pacific Leaders Forum – Open Govern-

ment Partnership 2017 and The Fourth High-Level Meeting on Country-Led Knowledge Sharing (HLM4) 2018. With regard to ISSC communication strategy, however, there are still some strategic areas that need improvement, such as the development of the ISSC website, the use of social media and media engagement which had proven effective in reaching out and influence wider audience.

Another achievement of NCT – ISSC was their initiative to involve other parties such as private sector, academia, non-governmental organization and development partners in conducting ISSC activities. From the development partners category, in particular, the ISSC succeeded in conducting some triangular partnership with many development partners, such as USAID (United States Agency for International Development), UNDP (United Nations Development Programme), JICA (Japan International Cooperation Agency), KOICA (Korea International Cooperation Agency), etc. The, NCT – ISSC also had invited the participation and the collaboration of development partners in developing organizational framework and infrastructures for the upcoming Indonesian AID, such as: developing guidelines for ISSC programs and activities, conducting background studies for the establishment of the single agency, and human resource strategy.

In addition to the involvement of development partners, the NCT – ISSC also sought a chance to engage non-state actors, such as private sectors, state-owned companies, NGO, and academics, to participate and contribute in ISSC's development program. The NCT – ISSC believed that the synergy between the various potentials non-state actors in Indonesia's SSTC programs and activities will provide leverage for better development program and cooperation. The initiation of the non-state actor's engagement was conducted two ways. Firstly, the non-state actors were engaged in the implementation process of ISSC's development program with other countries. This process was meant to create a double-edge knife which can benefit not only the beneficiary countries, but also Indonesia. This will also be beneficial for private sectors and state-owned company, especially as they can expand their market to other countries. Some of the state-owned companies and private sectors are already well-known, namely BBIB Singosari³ and Quick Tractor⁴. Secondly, the engagement was built through discussions, workshops, and seminar to gather inputs from various parties for the formulation of policies regarding models and forms of partnerships between the Government of Indonesia and non-state actors in various programs and activities of Indonesia's SSC. This process specifically identifying how SSC programs can benefit non-state actors. For academics, this process identifies the knowledge management of the program. While, for the NGO, this process gathers NGOs's concern and management of the program. As for the private sectors, this process also discusses possibility to increase the trade and investment in other developing countries. Re-

³The Singosari Center for Artificial Insemination (BBIB Singosari) is the Technical Implementation Unit (UPT) of the Directorate General of Livestock and Animal Health with over twenty-eight years of experience producing frozen semen from nine varieties of cattle (Limousin, Simental, Aberdeen Angus, Brangus, Brahman, Ongole, Madura, Bali, and Friesien Holstein) and two varieties of goats (*Peranakan Ettawa* and Boer).

⁴Quick Tractor is a brand owned by CV. Karya Hidup Sentosa as the largest national private company in hand tractor industry.

alizing the potential of non-state actors' involvement, NCT – ISSC conducted a study specifically on Non-State Actor engagement to expand the network of ISSC development program. This study was supported by USAID through USIP 1 – SSTC program in 2018 and it resulted in some of scenarios/models on how private sectors can be engaged. Furthermore, the study also provided a mapping on potential private sectors to be engaged in SSC programs. Despite the study, the NCT need to address further related to the involvement of non-state actors, especially on the development of incentive mechanisms for non-state actor engagement in ISSC.

3. Indonesia's Audacious Step in Forming Indonesian Agency for International Development (Indonesian AID)

Considering achievements and challenges faced by the NCT – ISSC, the GoI believes that stronger legal framework and entity are required to ensure that all the existing challenges can gradually be settled. In 2017, the NCT – ISSC presented the proposal of establishing a single agency focused on international development program, including Indonesia's SSC framework. According to the study conducted by the NCT – ISSC (NCT – ISSC, 2017), the urgencies for supporting the establishment of single agency include: (1) one gate policy is believed as far-reaching element to align the ISSC framework and national priorities as well as responding to the development of global issues; (2) the existence of a solid entity as national representation in international forums will help Indonesia to gather diplomatic support from other countries; (3) tightening the gap of social economy and regional security issue to endorse Indonesia's leadership in ASEAN; and (4) expanding Indonesia's contribution in carrying out world order based on independence, perpetual peace and social justice as mandated by the 1945 Constitution and fulfilling Indonesia's commitments in global forums such as the United Nations, G20, G77 and the Non-Aligned Movement (NAM).

Indonesia's SSC has sent a louder call for a single agency that can form an integrated institution as the head of 'one gate policy' with centralized budget arrangement through a pooling fund. These capabilities are vital to increase the coordination among stakeholders as well as to clarify the record of funds disbursement for the ISSC program. In addition to that, the upcoming single agency was also expected to absorb all the achievements made by the former NCT – ISSC, such as: (1) determining the priority countries/regions and programs that favor Indonesia's national interest in politics, social, economics, and culture; (2) better institutional management; (3) authorized entity to carry out monitoring and evaluation of the ISSC program/activities implementation; (4) ability to improve the engagement of all ISSC stakeholders such as parliament, media, private sector, development partners, and academics.

Considering the urgencies, the NCT – ISSC started to make a further movement in regards of the single agency establishment. This movement was branched into three significant acts that were complementary to each other and they

were conducted in parallel. Those three significant undertakings were (1) the background studies for the establishment of Indonesian AID, (2) the provision of the endowment funds for Indonesian AID, and (3) the enactment of a series of the regulatory framework for Indonesian AID.

3.1 Background Studies for the Establishment of Indonesian AID

The process of establishing Indonesian AID began with the previously mentioned background study conducted in 2017. The study was carried out mainly through benchmarking to the practices implemented in the existing development partners such as USAID, KOICA, UNDP, JICA, etc. This part of study is important as they have been considered as established donor institutions with various experiences in conducting development program in many regions for years. Hence, it was expected that Indonesian AID can learn from the existing development partners. As the highlight of the study, recommendations on the establishment process and composition of single agency was provided as part of the results.

This study was subsequently followed by a series of studies on human resources (HR) strategy for Indonesian AID, supported by USAID through USIP 1 – SSTC. There were 3 studies within this series. The first study focused on the overall HR strategy for the upcoming Indonesian AID by benchmarking to the HR management strategies carried out by other organizations similar to the Indonesian AID (both development partners and other public service agencies (PSA) for fund management). The analysis was conducted by taking into account the contextual factors (i.e. institutions, regulations, finance, environment, and stakeholders) surrounding the Indonesian AID. The second study conducted to formulate the Competency Directory for the upcoming Indonesian AID. The directory is to be used to guide the recruitment and selection process for the Indonesian AID personnel. The last study aimed to provide recommendation on performance management and compensation for Indonesian AID employees. This study produced the guidance and procedures to implement the performance management system complete with the required forms and manual. It also provided the simulation of several scenarios of compensation management system that includes salary, honorariums, and incentives that fit the organizational financial capacity.

3.2 The Provision of Endowment Fund as a Source of Funding

One of the main problems in managing the Indonesia's SSC is related to budget. The issues concerning budget is ranged from the unclear budget allocation to fund ISSC programs and activities (the issue of budget tagging), the multi-years nature of many ISSC programs and activities, and the limited resources to finance the programs. To solve this problem, GoI through Ministry of Finance (MoF) has allocated endowment fund from the state budget since 2018 as much as 1 trillion rupiahs. In 2019, the GoI had allocated another 2 trillion rupiahs and made it 3 trillion rupiahs in total. In 2020, the figure is expected to grow up to 5 trillion rupiahs. These funds are projected to reach 10 trillion rupi-

ahs through gradual investments until 2024.⁵ Managed by the *Badan Layanan Umum Lembaga Dana Kerjasama Pembangunan Internasional* (BLU LDKPI a.k.a. the Indonesian AID), the endowment fund is to be invested in market stock and the return of the investment will be allocated to support the Indonesian AID management and programs. In addition to the endowment fund that comes from the state budget, Indonesian AID is to manage funding provided by Indonesia's partners to support the program or grant implementation (Indonesia, 2020). By centralizing the management of ISSC and by providing it with the source of financing, the issue of unclear and scattered ISSC source of funding is eliminated. In addition, since the endowment fund is categorized as below the line financing, its utilization is not limited within a year. It can be rolled over to the subsequent period. This resolves the issue of funding a multiyear ISSC program or activity.

3.3 The Regulatory Framework for Indonesian AID

Considering the importance of regulatory framework to enforce Indonesian AID functions, standard operating procedures (SOPs), and mechanism, in the period of 2018–2019 the GoI issued a series of regulations to serve the purpose. The regulatory framework also required to clarify the implementation of SSC in a comprehensive manner that includes arrangements from policy setting, planning, budget allocation, SSC monitoring, evaluation, to reporting as well as setting mechanisms and corridors for providing assistance to other countries.

The following are the notable regulatory frameworks related to the Indonesia's SSC management and Indonesian AID establishment:

3.3.1 The Government Regulation No. 48 Year 2018 and the Government Regulation No. 57 Year 2019

The Government Regulation No. 48 Year 2018 is a regulation concerning the procedures for grants to foreign governments/foreign institutions. Meanwhile the Government Regulation No. 57 Year 2019 is the amendments of the Government Regulation No. 48 Year 2018. These two regulations set the division of authority among the Ministry of Finance (MoF) and the Ministry of Foreign Affairs (MoFA), the institutions who responsible the most for the foreign grants provision. The regulations illustrate the grant provision procedure started from the proposal submission, program implementation, monitoring and evaluation. According to the regulations, proposal should be submitted through the MoFA. To assess the financial and technical eligibility of the submitted proposals, MoFA is to form a Pokja (working group). The members of Pokja basically are basically the representatives as the current NCT for ISSC, thus they are aware of the issues surrounding the ISSC and Indonesian AID financial capacity. Hence, the Pokja is expected to have the capacity for assessing the technical and financial aspects of the submitted proposals. The selected proposals will then be put into the list of grant provision plans (*Daftar Rencana Pemberian Hibah* or DRPH) and

endorsed by a MoFA's Ministerial Decree (*SK Menteri Luar Negeri*). Once the decree is published, it will be distributed to MoF who will allocate the fund to the implementing agencies. The simulation of the process can be illustrated as follows on Figure 2.

While assessing the technical aspect of the proposal, the Pokja is allowed (according to the Government Regulation No. 48 Year 2018 and No. 57 Year 2019) to obtain more information from stakeholders or related technical ministries to deepen the understanding of the proposed program. In that case, the Pokja may invite the technical ministries or the implementing agencies of the programs to discuss the proposal.

Despite having the same member as the NCT – ISSC, the Pokja doesn't absorb all the NCT – ISSC's functions. The Pokja roles in the Indonesian AID focus on the proposal assessment only. So that, the NCT – ISSC members needs to redefine its position to avoid the overlapping function with the Pokja in the Indonesian AID mechanism. One of them is about the coordination with triangular partners for ISSC program and activities. According to the Government Regulation No. 48 Year 2018 and No. 57 Year 2019, the function for coordination with triangular partner will be mandated to MoFA.

In addition to the Indonesian AID organization and management, the Government Regulation No. 57 Year 2019 also stated the requirement for the presence of a steering committee to provide policy direction and monitoring over the implementation of Indonesian AID programs and funding. The policy direction shall cover: (1) the proportion and portfolio of the investment returns of the endowment fund managed by the fund management unit; (2) the proportion and priority of grants; and (3) budget allocation for grants excluded from the grant list. The member of the steering committee are the ministers of the current NCT members led by the Minister of Finance and Minister of Foreign Affairs.

3.3.2 The Minister of Finance Regulation No. 143/PMK. 01/2019 on the Organization and Procedures of International Development Cooperation Fund (Indonesian AID)

To follow up of the Government Regulation No. 47 Year 2018 and No. 57 Year 2019, on October 16, 2019 the GoI enacted the Minister of Finance Regulation No. 143 Year 2019 (PMK No. 143, 2019). This regulation sets the structures and the business process within the Indonesian AID organization. The organizational structure for the Indonesian AID set by the PMK No. 143, 2019 is illustrated on Figure 3.

The organizational structure indicates the two main functions of Indonesian AID. First, it manages the Government of Indonesia's investment funds allocated to international development cooperation funds (endowment funds) and the Indonesian AID operational cost through the General & Finance directorate. Second, it manages the investment management, distribution of funds for the awarding of grants, partnership agreement and settlement, as well as monitoring and evaluating the effectiveness of the grant through the Investment and Fund Handling Directorate.

⁵Statement by Kristiyanto (MoF), accessed through https://www.setneg.go.id/baca/index/perkuat_terwujudnya_diplomasi_tangan_di_atas_kemensetneg_gelar_peluncuran_laporan_tahunan_kss, on April 30, 2020.

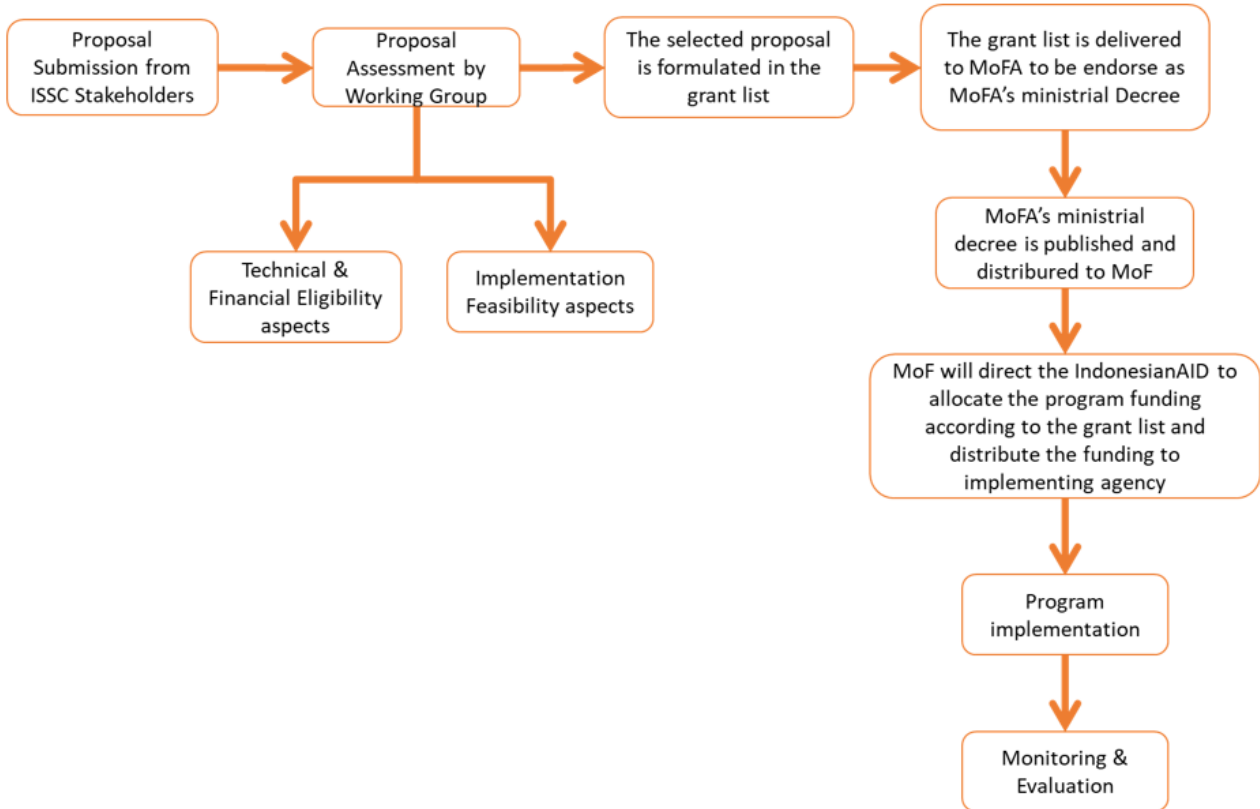


Figure 2. The Simulation of the ISSC Program/Activities Selection Procedures

Source: elaborated from the Government Regulation No. 48 Year 2018 and the Government Regulation No. 57 Year 2019

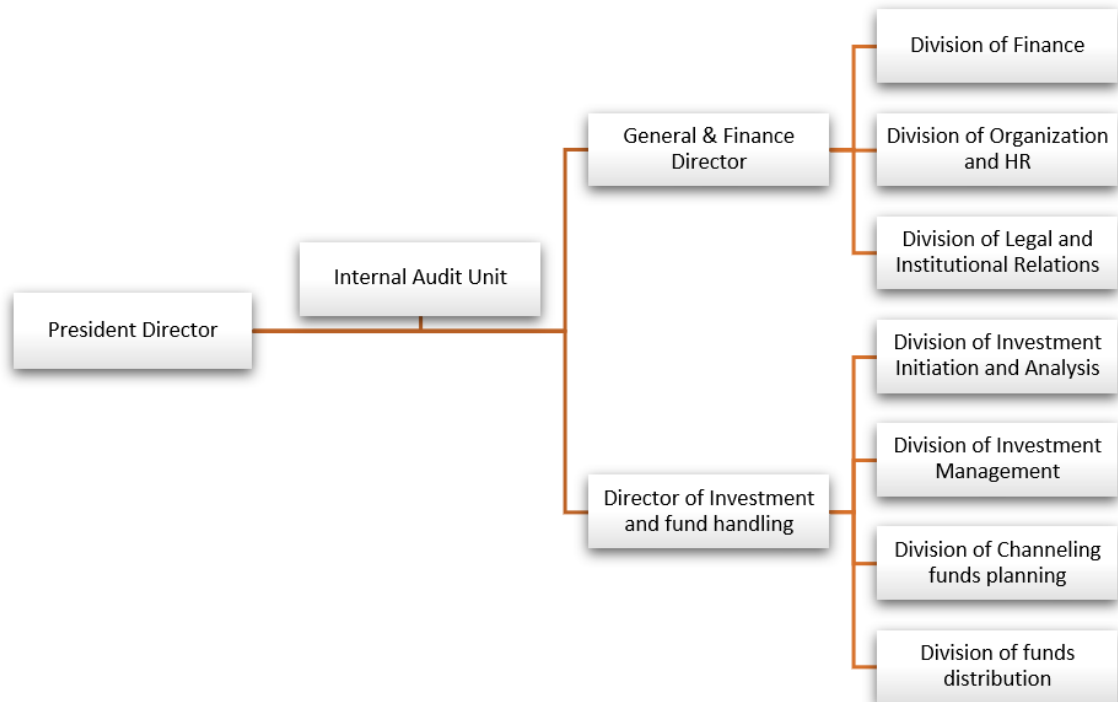


Figure 3. The Structure Organization of Indonesian AID

Source: Appendix of Indonesia's MoF Regulation No. 143/PMK.01/2019

3.3.3 The Ceremonial Launch of Indonesian AID

To complete its achievement, at the last day of the President Jokowi and Vice President Jusuf Kalla's administration, on 18 October 2019, the GoI launched the Indonesian AID. The strong introduction of the Indonesian AID was presented by the Minister of Foreign Affairs, Retno Marsudi. In her speech, she claimed that Indonesian AID is a very precious tool for Indonesian diplomacy that can be used to strengthen Indonesia's presence on the international stage. Indonesia can now walk the talk in international development. By doing so, it will allow Indonesian AID to help reduce poverty and social inequality between developed and developing countries.⁶ This will increase Indonesia's participation in reaching the United Nations' Sustainable Development Goals. The Indonesian AID is expected to integrate ongoing contributions to overseas development from various Indonesian ministries and agencies. Indeed, many eyes are looking forward to how Indonesian AID can function as an independent agency as soon as possible. Although the Indonesian AID has not been equipped with personnel and physical bodies of an institution yet, the launch sounded so promising. Despite the pros and cons about the Indonesian AID establishment, the GoI has kept their optimism to see how the Indonesian AID goes and fully functioning after the transition period. The transition period is expected to be completed in 2028.⁷

4. Sharing Experiences from the Other Agencies

After reviewing the development of regulatory frameworks regarding grant provision and the establishment of Indonesian AID, this section aims to briefly explain and benchmark to how the other established development agencies are managed. Instead of trying to compare, points in this section are meant to bridge the ideas about the expectations regarding the future of the Indonesia's development cooperation agency.

4.1 Legal Framework

There are two types of legal frameworks serve as the foundation to establish SSC agency, namely (i) special law, and (ii) other regulations such as Government Regulation and Presidential Decree. AMEXCID (Agencia Mexicana de Cooperacion Internacional Para el Desarrollo) was established by "The Law of International Development Cooperation (LCID) of 2011" and KOICA was established by KOICA Act (1991). Meanwhile ABC (Brazilian Cooperation Agency), TICA (Thailand International Cooperation Agency) and SADPA (South Africa Development Partnership Agency) (Chaturvedi et al., 2012) are the example of agencies established by the Government Regulation or Presidential Decree. In the case of Turkey, the TIKKA (Turkish Cooperation and Coordination Agency) was established

through Organizational Law on the Establishment of TIKKA. Nevertheless, in 2011, as a result of the country's dynamic foreign policy initiatives and the major global and regional shifts, the organizational structure of the Turkish Cooperation and Development Administration Directorate was reviewed and TIKKA was restructured to increase the effectiveness of the development cooperation process. With the Statutory Decree Law No. 656 dated October 24, 2011, the business process and the name of Turkish Cooperation and Coordination Agency (TIKKA) were updated. The flexible new structure enabled much quicker decision-making and hence helps TIKKA's activities continue in a more robust manner. Within the Article 521 titled "Establishment and Organization" of the Section 37 titled "Turkish Cooperation and Coordination Agency" in the "Presidential Decree Law on the Organization of Institutions and Organizations Under, Affiliated with, Linked to the Ministries, and Other Institutions and Organizations" published in the Official Gazette dated July 15, 2018, and numbered 30479, TIKKA was described as having a public legal entity and a private budget and it carries out its activities under the Ministry of Culture and Tourism (2020).

4.2 Roles

In middle-income country, there are some distinct roles carried out in each agency, for instance, (i) coordination, (ii) implementation, and (iii) coordination and management of technical cooperation. ABC, the Brazilian Cooperation Agency, is one of the agencies that undertakes the coordination functions. ABC is affiliated with the External Ministry. However, ABC has the authority to do intensive interactions with the structural units of another Ministry which undertake the implementation role, i.e. Ministry of Education, Ministry of Health, Ministry of Science and Technology and Ministry of Agriculture (NCT – ISSC, 2017). Written on its official website, ABC is the agency of the Brazilian Federal Government that in charge of all international technical cooperation involving Brazil and other countries or international organisms. ABC operates according to the guidelines of the Brazilian foreign policy (which are managed by MRE) and focuses on national development policies defined by the Government's sectorial programs and plans (Brazilian Cooperation Agency (ABC), 2020).

In Korea, KOICA performs a policy role made by the Ministry of Foreign Affairs and the Ministry of Commerce of Korea. KOICA has roles and responsibilities to handle bilateral grants and multilateral aid especially with the United Nations Agencies (NCT – ISSC, 2017). Another example of agencies acting as an implementer are AMEXCID and TIKKA. TIKKA's development assistance mainly consists of grants given in the form of cash or goods. Preparation, contacts, and cash grant negotiations are undertaken by the Secretariat of Turkish Treasury in cooperation with the Ministry of Foreign Affairs who also handles the contributions and membership fees to international organizations. In addition, the Export-Import Bank of Turkey is also involved in providing development assistance although indirectly and not recorded in official development aid (UI & JICA, 2012).

Affiliation. Based on another study of development agencies in middle-income countries (Piefer & Vega, 2014) almost all development cooperation agencies are affiliated

⁶Source: <https://jakartaglobe.id/news/indonesia-launches-212m-international-development-aid-fund/> retrieved on April 15th 2020.

⁷Statement by Kristiyanto (MoF), accessed through https://www.setneg.go.id/baca/index/perkuat_terwujudnya_diplomasi_tangan_di_atas_kemensetneg_gelar_peluncuran_laporan_tahunan_kss, on April 30, 2020

with the Ministry of External Affairs or Ministry of Foreign Affairs. For instance, Brazil, India, Chile, and Thailand have developed agencies affiliated closely to the Ministry of External Relations, while Mexico, Malaysia, and Singapore have development agencies that affiliated closely to the Ministry of Foreign Affairs. This finding underlines the strong connection between foreign policy goals and development cooperation.

5. Setting Realistic Expectations

The enactment of regulatory frameworks is a noteworthy milestone for the institutionalization process of the future of Indonesia's foreign aid agency. In the previous section, we have reviewed the regulations, roles and authorities to ensure the performance of the development cooperation agency in several countries. This benchmarking shows us that every country has its own characteristics in managing its development agency. In the case of Indonesia, with the issuance of: (i) the Government Regulation No. 57 in September 2019 which amends the previous Government Regulation No. 48 Year 2018 on Grant Provision; (ii) the Minister of Foreign Affairs Regulation No. 11 and 12, 2019 on the Medium-Term National Grant Policy and Procedure to File and Assess Grant Proposal; and (iii) the Minister of Finance Regulation No. 143, on the Organization and Procedure of International Development Cooperation Fund, Indonesia shows its commitment to pursuing better management of development assistance. This progress is also expected to serve as a robust foundation in starting more measures to establish the agency. However, the milestone also depicts more works and responsibilities to be completed. Indonesia is currently on its early stage of developing its capacity in becoming a donor country. The pathway is still long and there are some important notes that are useful to address our expectation towards the future of Indonesia's single agency.

First, in the newly enacted regulations the issue of coordination is still be the central issue in the implementation of grant provision and preparation on the establishment of Indonesia's foreign aid agency. In the Government Regulation No. 57, the potential issue of coordination is reflected in the following coordination that should be undertaken in the decision making process: (i) the Minister of Foreign Affairs needs to establish coordination with the Minister of Finance, the Minister of National Development and Planning, the Minister of State Secretariat and chief of the related institution in drafting grant-related policy, (ii) the Minister of Foreign Affairs needs to create working group involving the MoFA, MoF, Bappenas, and the MoSS to assess the proposal of grant awarding, and (iii) a steering committee that responsible for the policy direction and monitoring the performance of the management fund unit has to be formed. All the efforts related to coordination in this scope of authority will define the development cooperation's effectiveness in the future. In this case, proactive and effective communications are highly required. The issue of coordination is not only limited on the implementation but also on how sharing and exchange information mechanisms are enhanced between the ministries and institutions. It might be difficult to move forward towards the more progressive preparation in building the foundation of the agency if this

very fundamental mean is not prioritized.

Second, the next challenge for the Indonesian AID is to prepare human resources to operate and develop the institution. As mentioned in the Minister of Finance Regulation No. 143, the human resources of the agency are to be formed by the Ministry of Finance through its Directorate General of Funding and Risk Management. This implies that the Ministry must work intensively to prepare the backbone of the agency. Studies concerning human resources management had already prepared. Nevertheless, implementing the study recommendations into reality is another agenda that needs to be well exercised.

The organizational format of Public Service Agency (*Badan Layanan Umum*) assigned to the agency is expected to provide more flexibility, especially in terms of budget management, for the agency. Within this format, the Indonesian AID is expected to manage its endowment fund professionally and use the proceeds to finance its operation, projects and activities. This organizational format also allows the agency to reallocate the unabsorbed budget to the subsequent period. Hence budget absorption is no longer used to measure project performance and replaced by the more relevant and objective indicators of performance.

To the human resource aspect of the organization this means that the institution should at least be supported by individual or team that has the capability of financial management and programming a development cooperation agenda.

Third, according to the Minister of Finance Regulation No. 143, the agency is affiliated with the Ministry of Finance. It is also mentioned that it will be responsible to manage endowment fund and other fund in form of grant given to the other country/overseas institution based on the Minister of Finance's policy and Indonesia's law and regulation. By the Minister of Foreign Affairs Regulation No. 11, the grant can be given in cash or to fund activities, for instance, degree and non-degree scholarship, equipment supply, and building infrastructure. The regulation however has not yet discussed the funding of technical cooperation which is dominating SSC's activities conducted by the Government of Indonesia. Technical cooperation so far has been implemented by various line ministries such as: Ministry of Social Affairs, Ministry of Agriculture and Ministry of Education and Cultural Affairs. The absence of legal framework for technical cooperation type of development cooperation leads to a question about Indonesia's commitment to ensure legal certainty to undertake activities that mostly conducted under the scheme of SSC. We believe there is the need to further follow up on the existing regulation to further details the function and authority of the agency and how does the law regulate the operational function of the agency. We can take an example of Brazil's regulatory framework that does not permit ABC to administer other forms of aid assistance such as loans, grants, and donations. However, in practice, ABC provides grant such as in the form of goods and equipment through UNDP (SSC & JICA, 2012). In Japan, there has been no specific law on ODA. Instead, Japan's Official Development Assistance (ODA Charter was approved by the Cabinet in 1992 and revised by the Cabinet in 2003 and has been the foundation of Japan's aid policy. Laws for ODA implementing organizations exist respectively such as the Law for the Japan International Cooperation Agency

Law (SSC & JICA, 2012).

Fourth, the Government Regulation No. 57 stated that the grant is disbursed from the State Budget. Nevertheless, since the structure of the agency is Public Service Agency, the agency is highly expected not to only rely on the State Budget. Hence, it becomes quite challenging for managing the agency. According to the regulation, the agency will have the function of investment management. In the organization structure, there will be a director of investment and fund distribution that consists of: (i) division of initiation and investment analysis; (ii) division of investment management; (iii) division of fund distribution planning; and (iv) division of fund distribution operation. This implies that the fund which is managed in the investment instruments is crucial for financing operational activity. The Government of Indonesia has prepared three trillion rupiahs as the initial capital for running the institution. This capital is to be managed in the investment instrument that is expected will bring significant return to fund the agency's activities. Given this situation, the agency should face the challenge of managing and controlling the source of funding to maintain the liquidity of the organization. It has to proportionally allocate the budget for operational activity and for funding the development cooperation programs. Good fund management will define the success of the agency in carrying out its functions.

Fifth, monitoring and evaluation (M&E) will be another essential aspect to be considered. Indonesia has not yet developed a good mechanism to evaluate programs conducted under SSC programs. It was segmented, depending on the implementer of the programs. Oftentimes the programs undertaken in triangular schemes and in this case M&E are mostly conducted and recorded by the development partner. Before the operation of Indonesian AID it is very challenging and almost impossible to trace how much money has been spent since activities both in bilateral and triangular scheme are independently conducted by the ministries using funds that allocated in annual budget without having to specify that the fund is used for SSC. In short, there are no compiled records of activities conducted by the Government of Indonesia. Therefore, sometimes makes it hardly possible to evaluate the achievement and the challenges faced by each project and activity. Under the Indonesian AID administration, it is expected that the problem is resolved through centralized ISSC project planning and budgeting. For that, the Indonesian AID should develop the M&E expertise and system within the organization, considering this aspect has never been properly developed and undertaken in the past, due to the organizational constraints. Efforts to construct a comprehensive M&E system are crucial to measuring the effectiveness of grant provision and the performance of the institution.

6. Conclusion

The launching of the Indonesian AID in October 2019 is a central milestone in the development of Indonesia's South-South Cooperation. The Government of Indonesia is finally willing to show its commitment by realizing the enabling conditions to smoothen the process of establishing the single agency. Several means namely: (i) allocating the endow-

ment fund as a source of funding; (ii) conducting studies to prepare the establishment of Indonesian AID, i.e. human resource study, the competency directory, and study on performance management and compensation; and (iii) enacting the regulatory frameworks, have been undertaken by the GoI. This breakthrough also serves as a notable achievement for the NCT – ISSC as the main actor in implementing the cooperation under SSC scheme. After years struggling with the matters of fragmented activities and funding, the team finally agreed to form an integrated institution to centralize the process. Nevertheless, as important as the preparation process, implementing the agency to undertake its functions is another homework to be finished. There are challenges that deserve attention, for instance, coordination issue under the new agency, preparation of human resources, clear regulation for technical cooperation activities, management of fund, and monitoring and evaluation activity. The launching of the Indonesian AID is indeed a convincing move, but it is profoundly reasonable for the government to notice that more efforts are vital to be exercised.

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