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**New Direction of Japanese Aid 2020
- From “to Indonesia” to “with Indonesia”-**

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New Direction of Japanese Aid to 2020 - From “to Indonesia” to “with Indonesia” - *

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Abstract

After more than 40 years of close bilateral relationship, Indonesia has currently started to finish its dependency on Japanese ODA. Japan has also wanted to utilize its ODA more efficiently and strategically for its national interests.

In this regard, it is the time for Japan to support Indonesia to prepare its graduation from foreign aid in 2020. In the process of the graduation, the aid target should be changed to human resource development mainly based on the training of trainers (ToT), and to mutual cooperation between non-government sector as private firms, NGOs/NPOs, and citizens at grass-root level. Also, it is necessary for JICA to improve its own operational organization structure in Indonesia with shifting to expand its field offices.

In addition to support for Indonesia’s graduation from foreign aid, Japan should start to support other developing countries with Indonesia where the experience of Japanese aid has been much accumulated. Indonesia is expected to become a donor country and a true partner with Japan to support other developing countries. As a result, Japan and Indonesia will get not only respect and confidence from the world, but also create a new model of mutual cooperation and foreign aid in development assistance.

Keywords: graduation from ODA, training of trainers, facilitation, truly equal partners

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1. Introduction

Indonesia has been the biggest recipient country of Japanese ODA in accumulative base since 1950s, and has utilized it for its economic and social development. Nowadays, Indonesia reveals its intention to decrease the dependency on Japanese ODA after more than 40 years of these close bilateral relationships through ODA. Japan also tends to utilize its ODA more strategic and efficient for its national interests.

How long should Japanese ODA to Indonesia be continued under these current condition? If we set the target of Indonesian graduating from Japanese ODA in 2020, how should Japan do for Indonesia to achieve this? In this paper, after outlining supposed transition process for the graduation, we try to examine how Japanese aid to Indonesia should be changed as a part of this transition process.

2. Outline of the Transition Process for Graduation from ODA

Figure 1 diagrams the process that Indonesia would be expected to follow in order to no longer require ODA by 2020.

First, let us look at Yen loans. Infrastructure related items are always prime targets for preferential aid. In particular, large-scale infrastructure projects will continue to require Yen loans for some time. Japanese private firms continue to have deep-rooted expectations towards large-scale infrastructure projects. From the perspective of the Indonesian government, Yen loans are long term and have a low capital cost, and with the exception of exchange-rate risk, they will continue to hold a place as an easy-to-use source of capital with low repayments. While Indonesia does have a policy in place of switching from foreign borrowing to domestic capital finance via the issuance of government bonds, these bonds still have a relative higher interest rate and are riskier than Yen loans, and accordingly, they are not yet a viable substitute. Considering the target of graduation from ODA, in order for Indonesia to be able to finance large-scale infrastructure projects without relying on Yen loans, it must stabilize the process for raising capital using government bonds, and create an environment where the capital cost of government bonds can be reduced. Additionally, to allow Indonesia to finance large-scale infrastructure projects using government bonds in the future, Japan should also pursue indirect aid measures ensuring that projects that have been funded using Yen loans are gradually switched to commercial loans issued by domestic and foreign banks, and the total amount of Yen loans reduced.

Figure 1. Outline of the Transition Process Aimed at Ending ODA

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--|------|--|---|------|------|------|--|--|--|------|---|--|------|
| | | | General election. Presidential election. | | | | | General election. Presidential election. | | | | | General election. Presidential election. | |
| Yen Loans | While continuing to accept Indonesian requests (for large-scale infrastructure projects, etc.), a clear position of pushing for the use of financing through commercial loans and government bonds should be made. | | | | | | | | Japan should push so that the Indonesia government can finance its projects using commercial loans and government bonds, and the total value of Yen loans should be gradually reduced. | | | | | |
| | Yen loans should be used to push for Indonesian financial independence. In particular, to make sure that loans don't become an instrument of the central government, when being targeted for regional projects, they should be paired with technical cooperation projects. | | | | | | | | | | | | | |
| Technical Cooperation with Indonesia (including sending experts) | Reevaluation of current projects: - Reason for Japan to provide the aid - Benefit for both Japan and Indonesia ->Set end date for each project ->Schedule a handover so that the Indonesian side can run the project itself. | | | Identify areas and resources where Japan and Indonesia can provide aid to other countries. - Develop Indonesian trainers and experts. - Develop project management skills. - Start sending trainers and experts to other countries - Promotion of current JICA training programs in other countries and ownership from the Indonesian side. | | | | | | | | Technical cooperation aid projects led by Indonesia, Joint technical cooperation aid projects with Japan. | | |
| Joint cooperation (Aid for other countries) | -Possibility of providing joint cooperation | | | | | | | | | | | | | |
| Human Resource Development /Training | Elite training -Talented people should be selected as candidates to become trainers | | | Training should focus on training of trainers (ToT) -Development of personnel that have the ability to train other trainers -Training management skills should also be developed | | | | | | Training should be handled by the Indonesian side, with monitoring from JICA | | | Indonesia should perform training independently (and also start to train resources in other countries) | |
| Grants | End of Grants | | | | | | | | | | | | | |
| JICA Offices | The focus should gradually shift to expanding grass root partnership aid projects and promoting mutual cooperation projects by private sector, citizen and NGO groups as well as joint cooperation projects to other developing countries. | | | | | | | | | | | | | |
| | JICA local officers should be trained and the number of resident Japanese staff should be gradually reduced. | | | | | | | | | | | | | |
| | JICA field offices should be established and operations left to local officers | | | | | | | | | | | | | |

(Source) Created by Matsui

Other uses for Yen loans besides large-scale infrastructure projects include the following two uses, both aimed at helping graduation from ODA. The first is as funding for spreading JICA pilot projects to other regions. If Yen loans are used for this expansion, the government in charge of the expansion must pay back the loans, and this provides an imperative for the Indonesian organizations to promote expansions independently. If grants are used, then no repayments are necessary, and as can be seen from past examples as well, efforts to expand pilot programs are at risk of becoming half-hearted. As a result of this, a large number of pilot projects must be kept running¹.

The second use is as initial funds to attract further capital for small-medium enterprise-related industries and village projects. In Indonesia, while there is recognition of a need for introduction of a Grameen-style micro-credit scheme, a gradual system for financing small-medium enterprises that covers the gap until they are able to receive financing from banks at the market rate does not exist, and this is putting limits on the abilities of business owners. Here, a new system for providing business finance that covers the gap from aid grants for new businesses through to bank loans should be established, and a policy of using Yen loans in this operation as a means of attracting other capital could be developed. Of course, the Yen loans must be repaid, and so the system for providing business capital must be run well, in such a way so that it generates a profit to enable it to repay the loans.

In preparation for graduation from ODA, the first task that Japan must perform is to reevaluate all current ODA projects. In other words, Japan should determine for each ODA project, (a) what is the importance of the project for Indonesia, (b) why must Japan, rather than the Indonesian government or another donor provide funds the project, and (c) what are the benefits of the project for Japan. The commitment from the Indonesian side towards the project, and the ability of Japan to supply the required resources must also be considered. After the reevaluation of all the projects, Japan should end its involvement in those projects that lack relevance for Japan. For all projects, a final end date should be set, and a schedule should be determined outlining the process through to when Indonesia can run the project by itself.

Next, within the field of “human resource development (HRD)”, Japan-led training program in Indonesia should be focused on the Training of Trainers (ToT). In other words, resources that can develop other personnel (trainers) should be developed first. The first step towards this plan is to select trainer candidates. This step would be completed around 2009, so that in ten years time the trained students will in time

¹ However, when broadly expanding pilot operations to other regions, it is necessary to form projects by taking the method of deployment into consideration in advance.

become trainers. JICA will monitor and provide appropriate technical support for this process. Once Indonesia has been able to develop personnel that can train trainers, has given them the ability to manage the training process, and can develop resources with its own training programs, and once it is able to replenish its supply of trainers internally, then that will be an indication that Indonesia is ready for its foreign training programs to end. ToT should not only be targeted domestically, but also if Indonesia plans to become a donor country, then ToT to support other developing countries would also be considered.

In this manner, key parts of the transition process towards graduation from ODA by 2020 are to develop personnel itself, and develop Indonesian personnel that can train other personnel, and create a mechanism for replenishing the supply of training personnel.

3. Some Issues on Graduation from ODA

In the previous section, we outlined the transition process of Indonesia for graduation from ODA and becoming an aid donor. Keeping this outline in mind, we investigate the issues that must be addressed in relation to Japanese ODA to Indonesia. In other words, we will consider what changes can be made to the way Japan provides ODA to Indonesia.

(1) Changing the Style – from “Teaching” to “Noticing”

It is extremely important that both Japan and Indonesia must clearly recognize that in the near future, aid to Indonesia will end, and the time to prepare for this had already arrived. In particular, the way of thinking that “Aid = Teach” must be discarded. From the Indonesian point of view, “Receive Aid = Learn” must also be discarded. The traditional technology transfer with teaching Japanese technology to Indonesia may still remain necessary when delicate equipment and machines made in Japan are provided. But this results in the “Teaching - Learning” relationship becoming fixed, and the learning side continues to have a dependency on the teaching side. While Indonesian personnel can faithfully reproduce the skills technologies they have learnt, if they are faced with a situation that they have not trained for, they are completely helpless. This is because skills were not transferred in such a way as to make the Indonesian personnel think by themselves. Also, there are also a number of cases where the Indonesian side has taken their skill transfer at face value and been satisfied with it, without verifying the content of the transfer. Additionally, there has been a tendency for those personnel

that have received a skill transfer not further transferring these skills to others, and keeping them for personal interest.

In this manner, problems such as a lack of practical skills training in skills transfer, fixed “Teaching – Learning” relationships, transferred skills being used for personal profit and not spreading, and new trained resources not being developed by existing resources. These problems have not been much addressed by the Japanese side until now.

Technology progress comes faster every day. Skills that have been transferred at great cost become obsolete or stale more frequently. The focus must change from the skill transfer itself, to how these skills “settle in” within the workshop. In other words, how will the Indonesians use transferred skills within the Indonesian workshops, how will they resolve problems that never happen in Japan using their own resources? While combining these steps, the focus must be put on the process to really make the skills their own. For this to happen, “applied questions” must also be introduced into the skill transfer process, and after skill transfer has been completed, short-term follow-ups must be performed regularly.

In other words, Indonesia must be trained to become more independent. The “Teaching – Learning” relationship must start to go both ways, or both Japan and Indonesia must focus on cooperating on the workshop floor to get resources familiar with the necessary skills. In order to promote independence, the Japanese approach must change from “Teaching” to a contact method more like facilitation, encouraging the Indonesians to “Notice” things. Further, from the perspective of spreading skills, promoting independence must not end just at the skills transfer from Japan to Indonesia, instead it is crucial that Indonesia must reiterate this process independently, and skills continue to be spread. We gave receiving side commitment as one of the most important points to determine whether aid goes ahead or not, and the fact that one of the lessons from past projects is that this commitment must be encouraged as aid progresses, both point out the same thing.

From this perspective, the approach taken in the “Community Development through Citizen Participation” (PKPM) project implemented by JICA in 2004 can provide valuable information. As a part of this initiative, community development facilitators were trained paying particular attention to “Noticing”. Additionally, these facilitators learnt how to train other facilitators themselves, creating a reproduction mechanism of facilitator. While technical skills may not be perfectly transferred from Japan, the facilitators have to continually think through things by themselves, independently working to match conditions. Further, networks for information and

experience exchange between the facilitators have been developed. In the PKPM project, quality rather than quantity is considered important, and it shows that embedding this system in the target environment is very effective.

(2) Moving to Links between Projects

Recently, within the JICA, the phrase “program formation” is being used a great deal. Traditionally, projects have been run independently with little linking with others, and the overall aid effect has been reduced. Links between projects must be strengthened, and goal is to have the 1 + 1 of two projects must not equal 2, but rather 3 or 4 or even 5. The collection of individual projects linked together is known as a program. There are two different ways of creating a program, linking together existing projects, or establishing individual projects as the individual components of a program already drawn up.

When JICA and JBIC are integrated to New JICA, almost all the tools for foreign ODA from development studies, expert delegations, training, Yen loans, and grants will be available for organic use within one organization. Traditionally, for infrastructure construction such as dams, development studies by JICA and Yen loans by JBIC were combined for the implementation in many cases, but this was only on a case-by-case for each project.

By linking up multiple projects, these tools can be used more flexibly, and can be combined to meet the situation. On the other hand, in line with the integration of JICA and JBIC, the former Export-Import Bank loans will be separated², but in future, comprehensive development plans in the wider sense of the term that combine commercial loans with pure private-sector components may also become necessary (for example a combination of energy development, infrastructure construction and environmental protection). Further, while there is an expectation that the integration of JICA and JBIC will increase the efficiency of project implementation, the Indonesian side has raised concerns that the increase in organization size will result in decisions taking longer to be made³. To combat these points, in addition to the internal structural changes being made in the new JICA targeted at increasing efficiency, measures such as delegating authority to Indonesian and field offices closer to project locations will become necessary.

² Various Indonesian officials expressed concerns about the effect of this point. For example, the comments from Mahendra Siregar, Deputy Coordinating Minister for Economic Affairs for International Cooperation.

³ For example, the comments from Agus Tjahajana Wirakusumah, Secretary General of the Ministry of Industry.

For linking between projects, the (a) Sector Approach and the (b) Regional Approach can be considered. The Sector Approach can be further divided into cases where (a-1) the sector is decided on and links are established between subsectors (for example, an umbrella cooperation covering several agricultural sectors) and (a-2) where the sector is decided on, and links are established between the different regions. The Regional Approach can be further divided into two cases, (b-1) where the region is determined and links are established between the various sectors (for example, regional development in the South Sulawesi Region), and (b-2) where a region is determined and links between sub-regions are established. Further, combinations such as infrastructure construction and industry promotion; energy technology development, infrastructure construction and environmental protection; urban infrastructure constructions and urban living environment improvement projects go much further than the Regional approach, and should be probably be called (c) Combined Sector Comprehensive Programs.

Within these categories, there have been almost no examples of (a-2), (b-2) and (c). If there have been any examples, they were just fleeting pilot operations. Rather than going with the Sector Approach, recently the Indonesian government, keeping in mind movements to transfer authority to regional governments under decentralization, has focused on the Regional approach. In the future, there is the possibility that cross-sector programs in categories (b) and (c) may be preferred over programs in category (1).

An early example of (b-1) with some elements of (b-2) is the South Sulawesi Province Regional Development Program that began in 2005. In this program, projects for technical cooperation and Yen loans have been coordinated, working in a fashion as if JICA and JBIC had already been integrated. Specifically, the “Maminasata Metropolitan Area Plan” development studies mainly for urban infrastructure in the Makassar urban region, education and health projects being piloted in three regions, and regional economic revitalization project have all been linked together. In conjunction with this, the “Sulawesi Development Program” has been planned to bring the experience and benefits gained from the “South Sulawesi Province Regional Development Program” to the entire Sulawesi Region. As a part of this process, the Sulawesi Capacity Development Project, aiming to increase the overall capacity of stakeholders (the government, NGOs and locals) throughout Sulawesi, have been combined with infrastructure construction projects using Yen loans to develop the road network and electric power production.

As seen in this example, there are multiple facets of cooperation within the Regional approach, such as the combination of economic growth aid and poverty reduction aid, hard and soft facets, core regions and sub regions, and governmental and

non-governmental players. A point that must be considered first, as with the example of South Sulawesi, is whether or not the necessary preparations have been made in the society where the aid is targeted. Further, it is advantageous for program planning to be performed with clear goals backed by data, combining both growth targeted projects with large flow on effects and measures to reduce poverty for areas that these effects do not reach (such as the health centers and access to finance developed for agricultural regions in Sulawesi).

(3) Central-Regional Government Relationship under Decentralization

Normally, the contact point for foreign ODA is the central government. In Indonesia, the relevant central authority has determined the location for aid projects, and under the Suharto regime, central government branch offices (Kanwil) and after transfer of authority to regional government the regional government offices (Dinas) have managed on-site implementation. The decision on which region aid projects will be progressed in is made by the central government, with the exception of those projects such as new infrastructure construction projects where such details have already been covered as a part of the original request made to Japan. There are a number of cases where locations are chosen for non-logical reason or where location is decided based on the whims of the central government. At present, in order to capture aid for its region, there are many cases where regional governments are petitioning the central government for projects.

In this manner, in Indonesia, the central government has the management responsibility for aid, and aid projects become a source of power for the central government, sometimes even functioning as bargaining chips against the regional governments. In the current times, where various responsibilities have already been transferred to regional governments, the central government is using a number of means and working hard to get back the responsibilities it once had, and reduce the actual scope of the powers handed over to the regional governments. On the other hand, it is possible that a central government that has lost interest in the regional governments may be inclined to use foreign ODA just for projects that benefit it. In this kind of situation, there is a possibility that regional governments may consider ODA to be just a source of power and tool of the central government, and something that is forced on them.

In order to avoid a situation where ODA becomes a tool for the central government to maintain power and aid projects are not performed in the correct locations, Japan must take a step forward from its current position of dealing only with central governments. In other words, Japan must not wait in Jakarta, but head out to other parts of the country and work in conjunction with regional governments to develop projects.

As a part of this however, Japan must ensure that it does not force its wishes on the regional governments, and that regional governments do not feel like they are being forced into something. Japan should foster the independence of the regional governments, providing them with a range of ideas, and working together to develop projects. Then the regional governments should ensure that the central government recognizes the projects as belonging to it, and have the process then result in the project being included in the Blue Book. If the regional government wants cooperation from JICA, then the corresponding conditions should be included in the proposal based on the request of the regional government. In this manner the regional government should convince the central government of the benefits of their proposal, and after the project has been approved and moves into the implementation phase, the regional government will take ownership of the project, demonstrating its independence, and budgeting and implementing the local cost burden and providing resources.

In fact, as a part of the South Sulawesi Province Regional Development Program, this method has been used, and the projects have been developed in conjunction with the regional governments, a MOU has been signed with the South Sulawesi provincial government in regards to the implementation of the project, and provincial government has already started work on getting the central government to approve the Program. In order to explore this method, as discussed further below, there is a need for JICA itself to expand from within Jakarta to the provinces. This is an approach that really requires an organization not afraid to get out on location.

(4) Increasing Mutual Cooperation at Grass Roots Level Prior to Graduation from ODA
The target of graduation from ODA by 2020 does not mean that by a certain point in time, “All aid from Japan to Indonesia must be ended”. There is a possibility that large-scale infrastructure projects that require Yen loans and long-term skills transfer projects will continue, and cooperative efforts being made to turn Indonesia into a donor nation will continue for some time. However, aid where Indonesia could implement projects itself but chooses to use foreign ODA to save its capital, aid that doesn’t necessarily have to be given by Japan, and experts aid where experts sent to Indonesia do not necessarily have to come from Japan should be stopped as soon as possible, and such projects should be undertaken by the Indonesian side alone. ODA to Indonesia at a government-to-government level should be evaluated as to the extent that it needs to be “government aid”, and should be selectively ended.

However, the thing that must be stressed here is that as Japanese government aid to Indonesia is selectively reviewed and projects that have lost their meaning cut off, this

reduction in aid is not a degrading of the importance of the Japan-Indonesia relationship. In other words, even though ODA from the Japanese government will be selectively ended, on the other hand, relationships between the private sector, citizens and NGOs in Japan and Indonesia must be increased after government aid ends.

This is no longer one way “aid”, and it is not simply a replacement of government aid by the private sector. The private sector, citizens and NGOs in Japan and Indonesia must stand on equal footing and work together in a manner that benefits both parties. If an example is to be given in terms of existing schemes, this would equate to an expansion of current JICA grass root partnership operations.

Aid may be given in the form of Japanese (Indonesian) private sector, citizen or NGO groups submitting a project proposal to JICA, and then agreeing on the implementation with Indonesian (Japanese) private sector, citizen or NGO groups or otherwise, a project proposal agreed upon by both parties may be presented by a Japanese (Indonesian) private sector, citizen or NGO group to JICA. Additionally, there may be cases in the future where Japanese private sector, citizen or NGO groups team up with Indonesian private sector, citizen or NGO groups to provide aid to other developing countries. JICA must be able to choose projects from amongst these proposals that can sit within the network of JICA projects currently being implemented, and the intent of the private sector, citizen or NGO group leading the implementation must be respected and their capabilities used to the fullest.

For the new JICA to expand and improve mutual cooperation between Japanese and Indonesian private sector, citizen and NGO groups, not only must government-level aid be reduced, but it must shift its focus to providing chances and small amounts of capital for private sector, citizen and NGO groups as well as providing technical assistance. JICA should play the role of a facilitator promoting mutual cooperation at a grass roots level. For this to happen, as detailed later in this report, JICA must review its operational structure in Indonesia in the process of graduation from ODA, and it must expand its field offices, and develop and utilize local offices.

Improving mutual cooperation between Japanese and Indonesian private sector, citizen and NGO groups at a grass roots level will not only promote the creation of a new Asian civil society as the basis for integration of the Asia region, improve regional stability and mutual understanding, and also provide Indonesia with the development benefits of the projects, but it will also have significant benefits for Japan in the formation of a new civil society through a “Coexisting Asia”. As a part of this process, there is a good chance that cooperative relationships with citizen groups in other countries and regions will expand. Further, it also has the benefit of creating a transition

model for the change from “aid to mutual cooperation” and “government to private sector”. Furthermore, as discussed earlier, the multi-faceted expansion of this network is meaningful from the perspective of taking the example of Japan as a base and using this example to create other examples in the Asian region. Promoting grass roots level mutual cooperation as a new form of contribution from Japan to developing countries is a very important task for the new JICA.

(5) Structure Required for Graduation from ODA and the New JICA

The end of ODA in 2020 is an extremely useful slogan that can help to change the mindset surrounding ODA on both the Indonesian and Japanese sides as a new equal partnership is developed. The transition process towards graduation from ODA may in fact become a model itself for the move to be independent from aid for Indonesia and other developing countries.

For this to happen, the correct structure must be established on the Japanese side. First, if the Indonesian side is agreeable to the idea, consideration must be given to establishing a Japan-Indonesia joint working committee within the center of the Indonesian government to jointly manage and oversee the transition process as aid to Indonesia is ended and Indonesia becomes an aid donor. The meaning behind setting up a joint committee is that the relationship is no longer a one-way relationship where Japan makes demands of Indonesia, but instead a two-way, equal relationship where each side can make requests of each other. If possible, Japanese long-term experts should be posted to the committee, and a structure created where they can work on a daily basis together with Indonesian experts. Creating a working committee where frank and open discussions can be held will help develop the government level relationship between Japan and Indonesia, broaden channels for communication between the two countries, and can only bring benefits to the relationship between the two countries moving forward.

Second, there must be a change in the JICA operational structure. The basic premise of this change must be a further undertaking of the current movements to transition decision and implementation authority from head office to the Indonesian office and from the Indonesia office to the field offices. Then, to answer this, there must be a efforts made to promote the localization of operations, and the utilization of local resources. First, efforts to train local officers must be progressed, and field offices should be established in regions other than Makassar (for example: Medan, Yogyakarta, Surabaya, Banjarmasin, Kupang, Ambon, etc.), and structures should be put in place for trained local officers to lead activities. Field offices are the expansion of activities from

Jakarta to the provinces, and field offices are responsible for activities such as collection of local information, implementation and monitoring of development projects and the facilitation of mutual cooperation at a grass roots level. Additionally, for programs that take a regional approach, the majority of the implementation authority should gradually be given to the field office. For JICA operations as well, with the exception of budget and labor management that must be carried out by Japanese staff, as much as possible, a structure should be created where project implementation management is performed by Indonesian staff. In this manner, as a part of JICA changing its operation structure, Indonesian resources will be trained in aid management operations and this would make the establishment of an Indonesian version of JICA must easier.

Third, as an internal JICA item, the current method for performance evaluation standards should be reviewed, keeping in mind the Indonesia's graduation from ODA. Evaluation should not just be a review against numeric targets and their effective weights, instead it should be a review of indicators on how well the Indonesian side was able to take ownership of a project, how well it prepared by itself for the project implementation, and how well Japan promoted these activities. Further, operation evaluations should include evaluations from the Indonesian side as well, and when the Indonesian side requests a continuation of aid, the content of the request should be carefully evaluated, and if there is no clear reason why the aid must be Japanese ODA, then stopping aid for that specific project should be considered. There is a clear difference in the amount of information available to the field office near the project, the Jakarta office and the Tokyo head office, and accordingly it goes without saying that JICA internal communication must be kept closed.

Finally, one more point must be made. That is the role of JICA as an outsider or a third party. Taking a different stance from the World Bank and the IMF, JICA has not made promotion of democracy or abolition of corruption as a condition for aid provision to Indonesia. In fact, there has been the understanding that these problems should be left to the efforts of the Indonesians themselves, and are not the place for foreign interference. However, Japan should be able to help Indonesia notice these problems, and ensure that Indonesia does its best to fix them. The "Good Practice Approach"⁴ which aims to notice using real examples and was adopted by JICA in 2000 has since been used by a number of other donors, and has allowed aid practitioners to learn

⁴ At the time, many donors took a template for a model from their country of Jakarta to the regional projects, and took an operational approach where that model was used for a pilot operation. In contrast to this, in the Good Practice Approach, aid practitioners learn from many past examples, and are pushed to "notice" things themselves. Using this Approach, if appropriate facilitation is given, it can make large inroads into developing the independence of aid practitioners involved in a project. In particular, for regional development aid projects, this approach was used frequently.

through examples, and has developed a healthy sense of competition. As a third party untouched by politics, JICA should consider more actively creating chances to push Indonesia into “noticing” the corruption around it, and through encouraging study and healthy competition amongst aid practitioners, and setting off efforts to promote democracy and eliminate corruption.

(6) Summary

This paper has covered how Japan should provide ODA moving towards Indonesia’s graduation from aid aimed to take place in 2020. A summary of this discussion is given below. First, even for Yen loans that are still required for large-scale infrastructure projects, the target must be to convert these loans to commercial loans or independent financing, and as a whole the total aid amount will gradually decrease. Second, personnel training must focus on training of trainers that can then train more trainers, and a reproduction mechanism of human resource development must be established. Third, the focus must be shifted from government-to-government aid to mutual cooperation at a private sector, citizen or NGO group level. Fourth, in line with a hand off of authority to regional governments and a focus on projects taking a regional approach, in order to promote links between projects in the field, JICA should develop local officers and open field offices across the country. The viewpoint for operation evaluations should be shifted to take into account the Indonesian side’s efforts at taking ownership, etc.

The core role for the new JICA is the facilitation of Indonesia’s graduation from ODA. Malaysia is working towards graduation from ODA through its own national economic growth, and in Thailand and Vietnam, political leaders are making moves towards setting “graduation from ODA” as one of their political goals on their own. However, in the case of Indonesia, the act of setting the goal of graduation from ODA itself will act as a clear wakeup call to the Indonesian government as to the necessity of developing independent growth. The current situation where foreign ODA has been all too readily available for Indonesia must end, and in order to develop ownership of the goal to graduate from ODA, JICA itself should improve its ability to facilitate aid projects with Indonesia.

4. Japan Providing Aid to Developing Countries with Indonesia

In this paper, it is assumed that ODA to Indonesia will end in 2020. The hidden yet important message included in this assumption is that Indonesia will become a donor

nation, and start to contribute for other developing countries by 2020. This means that Indonesia must make clear its intentions to do so, and Japan will support this. Of course, while it may be difficult for Indonesia to become a donor nation by itself, if thinking of contributing to the whole world, there will be a number of cases where it may be advantageous for Indonesia to work with Japan or other countries when providing aid.

Further, from Japan's perspective it is not the best option for Japan to provide all aid itself from start to finish. Rather, instead of providing expensive Japanese experts and new equipment at Japan's expense, there are cases where it would be more cost efficient for Japan to work with Indonesia (as a type of outsourcing) and provide African countries with aid together. Additionally, there may be cases where the fact that Indonesians have experienced being on the receiving side of aid themselves means they understand the mindset and will work to improve the effectiveness of cooperation at the front lines. Explanation of the new more effective way of providing aid should be given to the Japanese public as well. This is an indication of Japan's new international cooperation strategy.

In particular, the act of Japan and Indonesia working together to provide aid to other developing countries will earn Japan respect and trust from countries around the world, and can be considered to be an important part of realizing a co-existence with Asia and developing countries. Here the question must be asked – why team with Indonesia? Leaving out the fact that (according to a BBC global questionnaire) “Indonesia has the greatest number of pro-Japanese citizens”, three reasons are given below.

First, Indonesia has received the greatest total amount of ODA from Japan amongst all countries Japan has donated to, and accordingly, it has the most experience with receiving ODA from Japan. With a wide range of projects being implemented there, from hard infrastructure constructions projects through to soft participatory community development, Indonesia has a unique depth of experience. This depth of experience should be treated as a common asset held by both Japan and Indonesia, and put to work in other developing countries.

Second, the tropical country Indonesia has the largest length of its area on the equator of any nation, and it is uniquely positioned as a location for research and development into new scientific methods (in environmental techniques, new medicines and new materials, etc.) that has reached its limits in developed counties located in temperate climates, and to act as a stage for efforts to solve various world-wide problems. If this is combined with Japan's leading edge technologies and materials, knowledge and experience, the results of joint research between Japan and Indonesia

will be able to help to solve those problems in other developing countries and even problems facing us on a global scale.

Third, a partnership between Japan and Indonesia would be extremely meaningful in allowing Japan to obtain deep trust and respect from other Asian countries. One of the reasons why Japan has worked so hard on investment and trade is because Japan cannot survive without good foreign relations. However, many Asian countries, including Indonesia view Japan in recent years as being too closely positioned with the US, and too focused on what is good for itself in the short-term. The feeling that is still seen in Indonesia that “Japan is different from the US” is not only because of products such as electrical goods and cars, but also due to the personal relations developed by Japanese nationals in Indonesia and concrete memories of experiences of economic cooperation. It is believed that providing aid in conjunction with Indonesia will be effective in helping to retain and then build on pro-Japanese sentiment throughout Asia including Indonesia.

There are also benefits for Indonesia to aim to become a donor nation and team up with Japan to provide aid to other developing countries. In Indonesia, during the “Lost 7 Years”, efforts were focused on internal problems, and there was no leeway left to focus on international contributions. However, moving forward, if Indonesia starts to think about becoming a donor nation and contributing internationally, its feeling of dependence on foreign ODA will decrease. It is hoped that this will lead to policy makers taking a wider view of things, and becoming motivated to seriously and independently attack problems such as eliminating corruption and reforming the legal system. Indonesia must want to get rid of the image that it is enduring an extended depression, and return to a respected position in international society. Becoming a donor nation and teaming up with Japan to provide aid to other countries is not an excuse for Indonesia to put its various internal problems on the back burner, but instead it is a great chance for it to let in a breath of fresh air into the domestic situation where it finds itself with little room to move.

Japan must support Indonesia as it ends ODA and Indonesia moves to becoming a donor nation, and Japan should find the courage to change with Indonesia as well. As truly equal partners, they should join hands and provide aid to developing countries and contribute to the world together. Then, not only will Japan and Indonesia gain respect and trust from the rest of the world, it will have shown the world a new model for aid and cooperation with developing countries.



Japan International Cooperation Agency

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