

Third Party Evaluation Report 2018
Ministry of Foreign Affairs of Japan

Evaluation of Japan's ODA to the Republic of Indonesia

March 2019

Kokusai Kogyo Co., Ltd.

Preface

This report, under the title, “Evaluation of Japan’s ODA to the Republic of Indonesia”, was undertaken by Kokusai Kogyo Co., Ltd., entrusted by the Ministry of Foreign Affairs of Japan (MOFA) in fiscal year 2018.

Since its commencement in 1954, Japan’s Official Development Assistance (ODA) has contributed to the development of partner countries and to finding solutions to international issues that change over time. Recently, in both Japan and the international community, implementing ODA has required greater effectiveness and efficiency. MOFA has been conducting ODA evaluations every year, of which most are done at the policy level with two main objectives: first, to improve the management of ODA; and, second, to ensure its accountability. These evaluations are conducted by third parties to enhance transparency and objectivity.

This evaluation was conducted with the objective of reviewing Japan’s overall policies on assistance to the Republic of Indonesia, including the Country Assistance Policy for the Republic of Indonesia from 2008 to 2018. Lessons drawn from this review will be used to make recommendations for reference in policy planning and the effective and efficient implementation of future assistance to the Republic of Indonesia by the Government of Japan. Other objective of this evaluation is to ensure accountability by making the evaluation results widely available to the general public.

Mr. Hiroshi Sato, Chief Senior Researcher at the Institute of Developing Economies, Japan External Trade Organization, served as the chief evaluator, supervising the entire evaluation process; Dr. Shunsuke Rai, Associate Professor at Meiji Gakuin University, Japan, served as an advisor to share his expertise on Indonesia. They have made enormous contributions, from the beginning of the study to the completion of this report. In addition, in the course of this study, both in Japan and Indonesia, we have benefited from the cooperation of MOFA, the Japan International Cooperation Agency (JICA), and the country-based ODA Task Force, as well as government agencies in Indonesia, donors, and non-governmental organizations (NGOs). We would like to take this opportunity to express our sincere gratitude to all those who were involved in this study.

Finally, the Evaluation Team wishes to note that opinions expressed in this report do not necessarily reflect the views or positions of the Government of Japan.

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Note: This English version is a summary of the Japanese Evaluation Report of Japan’s Official Development Assistance (ODA) to the Republic of Indonesia.

Evaluation of Japan's ODA to the Republic of Indonesia (Brief Summary)

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Period of Evaluation Study: June 2018-March 2019

Field Survey Country: Indonesia



Interview with local community of Banda Aceh City

Background, Objective, and Scope of the Evaluation

Japanese ODA for Indonesia, a sole member of the G20 among ASEAN countries, is indispensable not only for the development and social stabilization of Indonesia but for Asian countries, including Japan. In the last 10 years, there have been important changes for the economic development of Japan and Indonesia, such as the revision of the ODA Charter, and the establishment of new JICA, organizational restructuring of Japan's ODA implementation system. This study will evaluate the overall ODA for Indonesia during the period of 2008-2018 including its policies and results, with the aim of drawing lessons and making recommendations for effective planning and implementation of future ODA to Indonesia, and of providing accountability to Japanese citizens by widely disseminating evaluation results.

Brief Summary of Evaluation Results

● Development Viewpoints

(1) Relevance of Policies (Rating: B)

Japanese ODA policies for Indonesia are highly consistent with the National Midterm Development Plan (RPJMN 2005-2009 and RPJMN 2010-2014). In addition, their high relevance was confirmed: 1) Japanese ODA policies comply with global development policies, such as SDGs; and 2) Among ODA projects, Japan's comparative advantages, including quality infrastructure development and environmental technologies, are fully utilized. However, Japan's policy lacked accountability during the period between the announcement of RPJMN 2015 and the publication of Country Development Cooperation Policy for Indonesia (CDCP2017). CDCP2017 does not clearly stipulate the intention of the Development Cooperation Charter of Japan that is to strengthen collaboration with other Japanese organizations, including those in the private sector.

(2) Effectiveness of Results (Rating: A)

As a leading donor, Japan has significantly contributed to addressing poverty reduction and economic development in Indonesia by providing a substantial amount of ODA. Japan's ODA has also contributed to increasing Indonesia's presence in global society. This study has confirmed that ODA provided for the following six sectors has been highly effective: 'economic infrastructure development', 'business environment improvement', 'correction of disparities and local development', 'disaster management', 'climate change and natural environment preservation', and 'response to issues in the Asian region and international society'.

(3) Appropriateness of Process (Rating: C)

Regarding the appropriateness of policy formulation, comprehensive policy dialogue on bilateral cooperation has not been held between Japan and Indonesia since FY2014, although sector level discussion has been conducted on an as-needed basis. As for the process of implementing ODA, project monitoring and evaluation have been properly managed by JICA, while a monitoring system at the program and higher policy levels hardly exists. Concerning the structure of ODA implementation, there is frequent

communication between relevant organizations during implementation; however, there is little written records to assess the functions and effectiveness of activities performed by the country-based ODA task force.

● **Evaluation from Diplomatic Viewpoints**

(1) Diplomatic Importance

Supporting Indonesia's economic infrastructure and the development of its business environment contributes to the promotion of investment and economic activity by Japanese firms in Indonesia. It also contributes to securing social stability in Indonesia, which eventually assures a stable supply of natural resources to Japan. Support for Indonesia's disaster management and climate change policies builds international confidence in Japan, as well as fulfills Japan's international commitments. Supporting Indonesia's responses to issues in the Asian region and international society contributes to building peace and social stability not only for Indonesia and Japan, but also for the ASEAN region as a whole.

(2) Diplomatic Impact

ODA projects have created an opportunity for Japanese business firms to start business activities in Indonesia in several cases. Diplomatic impact has also been felt in the concrete practice of diplomacy, facilitating bilateral negotiation between Japan and Indonesia. Moreover, it is important to note that strong economic relations between two countries, which have been underpinned by Japan's ODA, have resulted in building trust in Japan among the people of Indonesia.

Recommendations

1. Clarifying Importance of Strengthening Cooperation with Relevant Organizations in Japan's ODA Policies to Indonesia

Collaboration with the private sector and ODA agencies in development cooperation needs to be explicitly encouraged by stipulating its importance in Japan's development cooperation policy for Indonesia.

2. Monitoring Contribution of Japan's ODA towards Achievement of Indonesia's Development Objectives

It is highly recommended that a new way of program monitoring should be developed, particularly focusing on to what degree Japan's ODA has contributed to addressing the development issues and to achieving the development goals of Indonesia. It is proposed that progress and achievement of a new Japan's ODA project, when the new project can be positioned under a specific Indonesia's program which has measurable targets and goals, will be measured towards the targets and goals set under the Indonesia's program. If this new attempt is found valid, it will be applied in wider perspectives.

3. Strengthening the Function of the country-based ODA Task Force

The government of Indonesia is increasing its ownership in coordinating development assistance in conformity to their development strategies and priorities; therefore, it is increasingly important to comprehend the overall picture of Indonesia's development plans and conduct comprehensive discussions on Japan's ODA plan for Indonesia, engaging wider stakeholders. In this regard, country-based ODA Task Force should be held periodically, engaging wider stakeholders who can contribute to formulation of Japan's development cooperation policy.

4. Resuming a Comprehensive Policy Dialogue between Indonesia and Japan

A policy dialogue between Indonesia and Japan has not been held since FY2014. Instead, several political meetings were organized at higher official and sector levels. However, more comprehensive understanding of Indonesia's needs and expectation on Japan's ODA is essential in the policy formulation process; hence, it is recommended that a comprehensive policy dialogue should be resumed between both countries.

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Abbreviation

ACE	Actions for Cool Earth
ASEAN	Association of Southeast Asian Nations
BAPPENAS	Badan Perencanaan Pembangunan Nasional (National Development Planning Board)
BKPM	Badan Koordinasi Penanaman Modal (Indonesia Investment Coordinating Board)
CAP	Country Assistance Policy
CDCP	Country Development Cooperation Policy
CGI	Consultative Group on Indonesia
COMMIT	Community Initiatives for Transformation
COP21	The Twenty-first Session of the Conference of the Parties
DAC	Development Assistance Committee
E/N	Exchange of Notes
EPA	Economic Partnership Agreement
EWARS	Early Warning and Response System
FTA	Free Trade Agreement
FY	Fiscal Year
G20	Group of Twenty
INDC	Intended Nationally Determined Contribution
JBIC	Japan Bank for International Cooperation
JETRO	Japan External Trade Organization
JICA	Japan International Cooperation Agency
JI-EPA	Japan and Indonesia Economic Partnership Agreement
JJC	Jakarta Japan Club
KPPIP	Komite Percepatan Penyediaan Infrastruktur Prioritas (The Committee for Acceleration of Priority Infrastructure Delivery)
MOFA	Ministry of Foreign Affairs of Japan
MPA	Metropolitan Priority Area
MRT	Mass Rapid Transit
NGO	Non-Governmental Organizations
O&M	Operation and Management
ODA	Official Development Assistance
PPP	Public Private Partnership
REDD+	Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
RPJMN	Rencana Pembangunan Jangka Menengah Nasional (National Medium Term Development Plan)
RPJPN	Rencana Pembangunan Jangka Panjang Nasional Tahun (National Long Term Development Plan)
SATREPS	Science and Technology Research Partnership for Sustainable Development
SDGs	Sustainable Development Goals
UN	United Nations

Chapter 1 Implementation Policy of Evaluation

1—1 Background and Objectives of Evaluation

1—1—1 Background

The Government of Japan implemented the evaluations for ODA in Indonesia in 2003 and 2007. Thus, this ODA evaluation is conducted for the first time in a decade. During this ten-year period, there were some significant changes in Japan's ODA framework, such as the establishment of new JICA as a comprehensive aid agency to implement Technical Cooperation, Grant Aid and ODA Loan projects in an integrated fashion, and a revision of the ODA Charter that resulted in the Development Cooperation Charter. While looking at the bilateral relationship between Indonesia and Japan and the international economic conditions in Indonesia, the effectuation of "Japan-Indonesia Economic Partnership Agreement" (JI-EPA) in July 2008 and the foundation of the ASEAN Economic Community in 2015 are recognized as important landmarks. Besides these, in Indonesia a leadership change occurred following a ten-year ruling by Yudhoyono, with Joko Widodo inaugurated as President in October 2014.

The Joko administration came to power with a national development agenda called Nawa Cita which consists of nine development priorities. Nawa Cita was then included into the National Medium Term Development Plan (RPJMN) 2015-2019 in January 2015. RPJMN highlights three development policy priorities, namely "enhancing international competitiveness", "developing infrastructure", and "reducing regional imbalance". Indonesia is the only member country of the G20 from ASEAN, and there are great expectations for its role in international society. Therefore, it is essential to give support to Indonesia that is based on its development policy, as this would secure not only Indonesia's stability and development, but also that of the Asian region where Japan is located. Furthermore, Indonesia and Japan marked the 60th anniversary of diplomatic relations between the two countries in 2018, and further reinforcement of the relationship is expected. This evaluation is an important study in assessing the achievements of and issues faced by ODA to Indonesia; and in considering future ODA policy for the Republic of Indonesia.

1—1—2 Objectives

This evaluation is conducted with following objectives.

1. To evaluate Japan's ODA to Indonesia at the policy level, to obtain lessons and recommendations that contribute to the formulation and implementation of future ODA policies, in light of the significance in providing such assistance.
2. By disclosing the evaluation results, to fulfill accountability and promote public

understanding, as well as to increase the transparency of ODA, in order to promote public understanding of, and participation in, ODA.

3. To give feedback regarding the evaluation results to officials of the Government of Indonesia and other donors for further improvement of Japan's ODA.

1—2 Evaluation Target

This evaluation targets all related policies on assistance to Indonesia by the Government of Japan. The specific policies are stated in the following documents.

- Country Assistance Program (2004) (CAP 2004)
- Rolling Plan (1/5/2009)
- Rolling Plan (1/8/2010)
- Country Assistance Policy (2012) (CAP 2012) and Rolling Plan (2012 and 2014)
- Country Development Cooperation Policy (2017) (CDCP 2017) and Rolling Plan (2017)

The evaluation period is March 2008 to December 2018, for about 10 years after the issuance of the previous evaluation report. This evaluation, in principle, reviewed the projects whose E/N were signed after the formulation of CAP 2004, of which those were completed, started or in the process of being implemented at the time of this study. ODA and/ or donation projects administered by other Ministries, which are not listed in the rolling plans, were not included in the review.

1—3 Evaluation Method

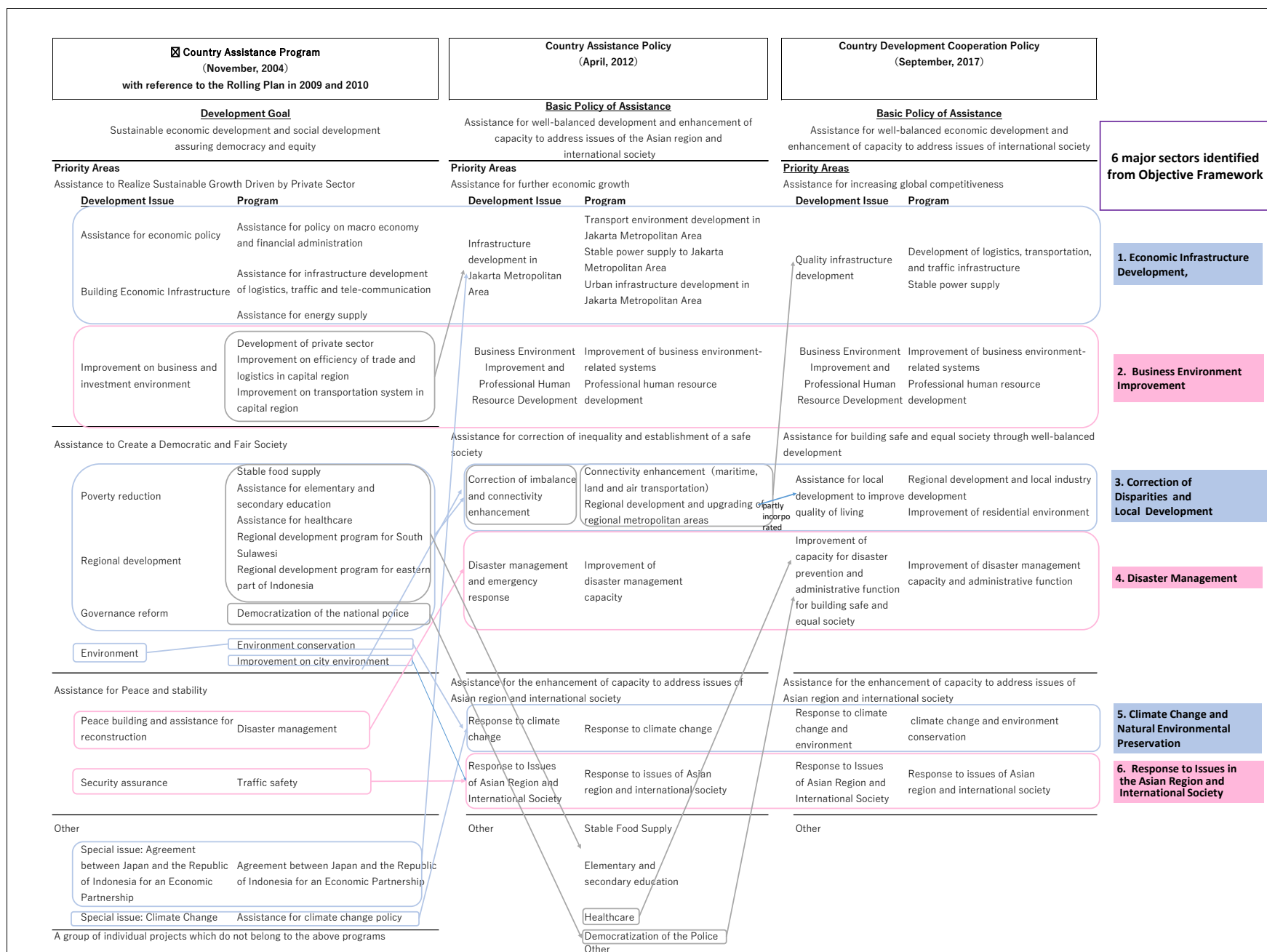
The method of this evaluation follows the eleventh version of the ODA Evaluation Guidelines (June 2018). This evaluation is done from two points of view that are “development viewpoints” and “diplomatic viewpoints”. The criteria of the development viewpoints are “Relevance of Policies”, “Effectiveness of Results”, and “Appropriateness of Processes” which MOFA has established based on the five DAC evaluation criteria (Relevance, Effectiveness, Efficiency, Impact, and Sustainability). “Diplomatic viewpoints” with two evaluation criteria have been introduced to examine the impacts of assistance on Japan's national interests since FY2011 in addition to development viewpoints as MOFA's evaluation standards. The criteria are: (1) “Diplomatic Importance” which examines how Japan's ODA is expected to contribute to its national interests and why it is important for Japan and its people; and (2) “Diplomatic Impact” which examine what impact Japan's ODA has made to the country and its people.

The evaluation team analysed the Japan's ODA policies and established "Objective Framework of the Japan's ODA policies to the Republic of Indonesia" (Figure1), in accordance with the hierarchical structure of the Japan's ODA policies; that are Basic Policy of Assistance (major target), Priority Area (medium target), Development Issue (small target), and Assistance Program. Through the analysis, the following six sectors have been identified as the major sectors of Japan's assistance during the evaluation period; namely (1) economic infrastructure development, (2) business environment improvement, (3) correction of disparities and local development, (4) disaster management, (5) climate change and natural environmental preservation, and (6) response to issues in the Asian region and international society. The evaluation is done by these six sectors of the Objective Framework, wherever it is appropriate, such as when evaluating Effectiveness of Results.

1-4 Rating

In evaluating from the development viewpoint, in accordance with the ODA evaluation guideline, the rating is given on a scale of four, with A (highly satisfactory), B (satisfactory), C (partially unsatisfactory), and D (unsatisfactory).

Figure 1 Objective Framework of the Japan's ODA policies to the Republic of Indonesia



Chapter 2 Results of the Evaluation

2—1 Evaluation from Development Viewpoints

2—1—1 Relevance of Policies (Rating: B-High)

(1) Consistency with Development Needs of Indonesia

a. Consistency with National Medium Term Development Plan (RPJMN)

The Country Assistance Program (2004) (CAP 2004) was in compliance with the RPJMN (2005-2009); this was confirmed in the Country Assistance Evaluation of Indonesia, conducted in FY 2007 (hereinafter referred to as “Evaluation 2007”). The Country Assistance Policy (2012) (CAP 2012) also showed sufficient compliance with the RPJMN (2010-2014), covering 11 priority areas stipulated in the RPJMN (2010-2014). The Country Development Cooperation Policy (2017) (CDCP 2017) is in turn consistent with the RPJMN (2015-2019), in that it addressed the importance of the following: promoting investment, improving the business environment, enhancing higher education, and upgrading the quality of life in rural areas and strengthening the roles of Indonesia in the international society. All of these correspond well to the three development policy priorities highlighted in the RPJMN (2015-2019).

b. Consistency with MP3EI

The Masterplan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI) is a development plan for the period of 2011 to 2025, supplementing and further promoting the National Long Term Development Plan (RPJPN) and the RPJMN. This planning period corresponds to CAP 2012 and CDCP 2017. CAP 2012 goes along with MP3EI by placing an emphasis on the development of the Metropolitan Priority Area (MPA), located in the Java development corridor, which is one of the six corridors advocated by the MP3EI. CDCP 2017, on the other hand, does not mention the MP3EI or the MPA. This is because the new Joko administration brought them to a halt, even though regional development and infrastructure upgrade have still been a priority.

c. Appropriateness Regarding the Revision Schedule of the Japan's Country Assistance Policy

The RPJMNs are issued every five years when Indonesia's presidential election takes place and a new administration begins, while the Japan's ODA policy document is, in principle, meant to be revised every 5 years but not strictly fixed.

CAP 2012 was designed by taking the priorities set by the previous ruling by Yudhoyono, such as MP3EI and MPA development policy, and remained effective until a revised Japan's ODA policy of CDCP 2017 was issued in May 2018. Thus Japan's ODA policy was not consistent with Indonesian's development policy during the period between the

announcement of RPJMN (2015-2019) in 2015 by the new ruling of Joko Widodo and the publication of Japan's new ODA policy in May 2018.

(2) Consistency with High-level Policies of Japan

a. Consistency with the ODA Charter, ODA Midterm Policy, and Country Assistance Policy (April, 2012)

CAP 2012 is consistent with ODA Midterm Policy, which was developed based on the ODA Charter. Four priority issues of ODA Midterm Policy, including poverty alleviation, sustainable growth, global challenges and peace building, are also prioritized by CAP 2012.

b. Consistency with the Development Cooperation Charter and CDCP 2017

The Development Cooperation Charter, newly formulated in 2015, has three priority areas. These are, namely, "Quality growth" and poverty eradication through such growth, Sharing universal values and realizing a peaceful and secure society, and Building a sustainable and resilient international community through efforts to address global challenges. These are adequately addressed in the CDCP 2017.

One of the features of the Development Cooperation Charter is illustrated by the following statement in the new Charter: "development cooperation needs to enhance synergetic effects for development through strengthened collaboration with other funding and activities of the Government of Japan and its affiliated agencies". To respond to this, and to the Government of Indonesia's expectation of private investment, the CDCP 2017 could have stipulated such intention of enhancing synergetic effects.

(3) Consistency with International Priority Issues

Of the 8 Millennium Development Goals, Goals 1, 5 and 7 were clearly incorporated in CAP 2004 and relevant projects were carried out. CAP 2012 and CDCP 2017 are consistent with the Sustainable Development Goals (SDGs) which Indonesian government aims to accomplish by well addressing the issues in RPJMD (2015-2019). Japan has its own SDGs Implementation Guiding Principles to set out a vision for Japan to be the champion of sustainable and resilient society. In terms of international assistance, the Principles include the ODA implementation in conformity with the Development Cooperation Charter, in the areas such as contribution to climate change countermeasures among others. In this light, CDCP 2017 is also in line with the Principles. CAP 2012 and CDCP 2017 also are in line with the strategic direction of

ASEAN which emphasizes “physical connectivity” and “people-to-people connectivity” among ASEAN countries.

(4) Relationship and Coordination with Other Donors

The Consultative Group on Indonesia (CGI) was dissolved in 2007 and the Jakarta Commitment was signed in 2009 by 22 donor organizations. Although comprehensive donor meetings are not being held since then, the Government of Indonesia has taken more ownership over development assistance and the Ministry of National Development Planning (BAPPENAS) communicates with respective donor organizations in order to increase the development effectiveness of receiving assistance. In regard to Japan, close contacts among key government officials and JICA advisors assigned to major line ministries, and small thematic group meetings between JICA and different donors, have been functioning well in coordinating Japan’s assistance with other donors’ ones.

(5) Comparative Advantages of Japan

Comparative advantages are found in all the six sectors of the Objective Framework of Japan’s ODA policies as below.

a. Economic Infrastructure Development

Infrastructure developed by Japan’s ODA are highly appreciated. Indonesian government deems Japan’s long-term assistance trustworthy and has high expectation for further assistance.

b. Business Environment Improvement

Japan’s ODA adequately respond to the needs and expectation of the business community which are well collected through Japan External Trade Organization (JETRO) and the Japan Chamber of Commerce and Industry, which is rather known as Jakarta Japan Club (JJC).

c. Correction of Disparities and Local Development

Being a maritime nation, Japan can provide Indonesia with useful knowledge regarding coastal area development and marine safety.

d. Disaster Management

Being a disaster-prone country similar to Indonesia, Japan's ample experience of such natural disasters as earthquakes, tsunamis, and volcano eruptions ensure effective assistance to Indonesia.

e. Climate Change and Natural Environmental Preservation

Japan's technology, legal systems and human resources developed through its own experience with pollution prevention, energy saving, among others, are useful for effective assistance.

f. Response to Issues in the Asian Region and International Society

Both countries share common issues and roles as Asian G20 members, which enables Japan to provide suitable assistance to Indonesia.

2—1—2 Effectiveness of Results (Rating: A-Very High)

(1) Input

A breakdown of Japan's bilateral ODA by country shows that Indonesia continued to be one of the largest recipients from 2008 to 2016, although it is gradually moving down on the recipient list. Based on the total disbursement amount from 2008 to 2016, Japan is a top donor among bilateral and multilateral donors, with its share being 35%.

The policies of Japan's ODA, the documents listed in Section 1-2, clearly aim at contributing to Indonesia's poverty reduction, economic growth and the enhancement of the roles in the international society. Thus Japan's ODA policies are regarded as assisting Indonesia's nation-building efforts. The evaluation team has concluded that such substantial financial contribution is regarded as appropriate.

(2) Output and Outcome

Output and Outcome will be evaluated by 6 sectors of the Objective Framework of Japan's ODA policies.

a. Economic Infrastructure Development

Railway and power development is the major area of Japan's assistance to Indonesia. Railway projects such as the Jabodetabek Railway Capacity Enhancement and Jakarta Mass Rapid Transit (MRT) project have been carried out to enhance public

transportation capacity in the metropolitan area. The MRT project is the flagship of the MPA Masterplan, formulated by the Japan's technical assistance, and relevant technical assistance has been provided in parallel to ensure the success of the nation's first underground railway system.

Japan provided financial and technical assistance to Indonesia's power development. The total power output by Japan's ODA is quite small compared to Indonesia's huge demand, but the ODA has adequately responded to Indonesian government policy focuses in the areas of climate change and public investment promotion in the power sector.

Field survey interviews revealed great appreciation to Japan's assistance for infrastructure development by the Indonesian governmental officials because of its careful and well-planned implementation and professionalism. International competitiveness of Indonesia, one of the ultimate goals of Japan's infrastructure assistance to Indonesia, has gradually improved, as shown by the data of several institutions.¹

Despite such achievements, the need for infrastructure remains high, particularly in the area outside of Java. Also, the Government of Indonesia highly expects private investment in infrastructure development, which is, in fact, particularly active in the power sector in recent years. Under such circumstances, future Japanese ODA for economic infrastructure will need to take account of, firstly, contributing to the correction of regional disparities and, secondly, specific roles to be played by the public sector that cannot be replaced by the private sector

b. Business Environment Improvement

To support small and medium-sized businesses, various technical assistance projects and dispatch of experts to Indonesia have been carried out in view of supporting trade and investment liberalization between two countries, the expectation raised by the effectuation of the Japan-Indonesia EPA (JI-EPA).

The assistance for improvement of trade and investment environment has been actively provided in different forms of aid over the course of many years. Outstanding examples

¹ "Report on Overseas Business Operations by Japanese Manufacturing Companies" by JBIC, "Survey on Business Conditions of Japanese Companies in Asia and Oceania" by JETRO and "Global Competitiveness Index" by World Economic Forum.

of such assistance include the dispatch of experts to assist the Indonesia Investment Coordinating Board (BKPM), the Connectivity Development Policy Loan, and the PPP Network Enhancement project, among others. A remarkable achievement in the business environment in Indonesia is the simplified and streamlined procedures, as stated in a World Bank's report,² to which Japan's ODA, together with private business communities, has contributed both directly and indirectly.

The major contribution to professional human resource development is financial assistance of grant aid and loan for three major universities of technologies, among other financial and technical assistance to other universities. Assistance for professional human resource development has yielded certain achievements, such as broadened access to and improved quality in higher education. Japan's ODA in higher education will be more effective if it works synergistically with sufficient budget allocation from the Indonesian government, which is at present considerably low compared to other ASEAN countries³.

c. Correction of Disparities and Local Development

Assistance in this sector included improved education and local infrastructure as measures for poverty reduction. It also included services improvement in the areas of irrigation systems, water supply and waste management, regional development in particular target areas, and regional industrial and economic promotion.

An innovative approach was applied in the Japan's assistant program entitled "the South Sulawesi Province Regional Development Program", covering the region in eastern Indonesia. The program consisted of sub-programs in multiple sectors, working on managing regional issues, with JICA experts of regional development advisors stationed at the JICA Makassar Field Office who assist the implementation of the program in general. Such assistance for local development resulted in the foundation of an NGO called COMMIT which trains and manages local project facilitators for local development. These local facilitators play important roles in present JICA activities and even have a positive influence on other countries by providing training for the officials of other countries through JICA Third Country Training Program.

The Sulawesi region also shows a higher economic growth rate compared to the national average and is receiving rapidly increasing foreign investment. JICA's support

² Doing Business (<http://www.doingbusiness.org>), the World Bank.

³ <http://www.ksi-indonesia.org/en/news/detail/higher-education-and-rd-expenditure>

for small and medium-sized businesses has been stimulating local economies and labor markets.

Prioritizing local development, the Joko administration introduced a village fund for the autonomous fulfillment of local needs. Such a public attempt, along with human networks developed through Japan's assistance programs, can be effectively linked with future Japanese ODA in this sector.

d. Disaster Management

Assistance for land erosion and volcanic debris erosion control has a long history that goes back to the early 1970s, ranging from financial assistance of grant aid and loan for infrastructure, emergency response, human resource development, and research-oriented cooperation through the Science and Technology Research Partnership for Sustainable Development (SATREPS).

Watershed development and management projects have also been continuously carried out. They have produced not only project specific outputs that include development of flood prevention and operation and maintenance (O&M) capacity, but also broader outputs. Project management skills of the Ministry of Public Works and People's Housing has been developed and the Ministry can now construct large-scale flood control facilities. Another example is that concerned parties, including residents, on river catchment area are now participating integrated water resource management as their awareness of the issue are being well raised.

For restoration and recovery from earthquakes and tsunamis, the assistance were given after the Indian Ocean earthquake and tsunami at each stage starting from emergency response, recovery assistance which include restoration of infrastructure, and prevention, in accordance with the concept of "Build Back Better". A characteristic project was implemented by Banda Aceh and Higashi-Matsushima city, the latter of which was seriously affected by the Great East Japan Earthquake in March 2011. This project was carried out under JICA's partnership program, aiming at "mutual reconstruction", whereby the two communities worked together while sharing lessons learned from the damage caused by tsunamis.

Assistance for institutional development has been provided mainly to the National Agency for Disaster Countermeasure. Since its establishment in 2007, the overall institutional system has gradually improved as natural disasters have occurred in

Indonesia, although some issues, such as the unclear demarcation of responsibility and insufficient human resources, remain to be tackled.

e. Climate Change and Natural Environmental Preservation

The main focus of assistance in this sector was on environmental conservation during the early years of the evaluation period, then shifted to climate change countermeasures after the CAP 2012 formulation.

The Climate Change Program Loan (2008-2010), the first financial assistance of this kind through Japanese yen loan implemented in Indonesia, adequately achieved its objectives. The yen loan program is considered as one of the major contributors to help Indonesia address the climate change impacts. Lots of progress have been observed in the areas of planning, legislation, data collection and financing system development, among others, which have resulted in mainstreaming climate change in the context of Indonesia's development. The several projects assisted by Japan following the program loan, such as "Indonesia-Japan Project for Development of REDD+ Implementation Mechanism", "Program of Community Development of Fires Control in Peat Land Area" and "Wild Fire and Carbon Management in Peat-forest in Indonesia" have been implemented and a set of these assistance are believed to be effectively influencing Indonesia's execution of its National Action Plan for Greenhouse Gas Emissions.

f. Response to Issues in the Asian Region and International Society

There are mainly three themes in this sector, namely infectious disease control, maritime security and South-South cooperation. The Early Warning and Response System (EWARS) has been strengthened by Japan's assistance through "the Project to Enhance Surveillance System for Avian Influenza" in South Sulawesi. By 2015, the Indonesian government has installed the EWARS in other parts of the country, as its practicality was proved. This demonstrates a meaningful ODA contribution. Regarding the assistance for maritime security, comprehensive assistance in various forms of grant aid, loan, technical assistance have been provided through "Construction of Patrol Vessels for the Prevention of Piracy, Maritime Terrorism and Proliferation of Weapons", "Maritime Telecommunication System Development Project" and "Technical Cooperation Project on Enhancing of Vessel Traffic Service System Management Capacity", among others. A security exercise held by five Indonesian maritime-related organizations and Japan Coast Guard in July 2018 is one of the positive outcomes of the long-lasting cooperative relationship developed between two countries through the

Japan's ODA in this field. Triangular cooperation that involves Southern-driven partnerships among Indonesia and another developing countries supported by Japan started in 1981 in a form of JICA Third Country Training Program. Throughout its history, Indonesia has learned lessons and acquired the knowledge necessary for South-South cooperation. Its experience as a recipient country will be effectively reflected in the establishment of Indonesia Aid, a newly planned aid organization.

2-1-3 Appropriateness of Processes (Rating: C-Low)

(1) Appropriateness of Processes on Formulating Country Assistance Policy

The last policy dialogue was held in FY 2013. Since then, political meetings have taken place in other forms, such as the Infrastructure Committee and meetings held during a visit to Indonesia by higher officials of ministries of Japan. Meetings called "All Japan Meetings" attended annually by various public and private Japanese organizations working in Indonesia are also opportunities to gain a good understanding of the current issues and development needs.

As part of the policy formulation process, upon the receipt of official notice from the headquarters of Ministry of Foreign Affairs, the country-based ODA Task Force, comprising the Japanese Embassy and the JICA Indonesia Office, begins to draft a Country Assistance Policy document. In so doing, it takes into account the results of the abovementioned meetings. The draft is subject to discussion with government officials from Indonesia and other major ministries of Japan, and public comments are sought through MOFA website. The finalized document is then publicized on the internet, which was in May 2018 in the case of CDCP 2017.

The CDCP 2017 formulation process followed the predetermined steps. It was, however, not possible to review further details of the discussion held during the initial drafting stage regarding how priorities were selected or how the programs were formulated, because of a lack of objective evidence.

(2) Appropriateness of Implementation Processes

a. Implementation Process at project level and program level

Project formulation is done mainly through day-to-day meetings and discussions among JICA advisors, the Japanese Embassy, the JICA Indonesia Office, and line ministries of Indonesia. By the time the official project request is submitted by BAPPENAS to the Japanese Embassy, necessary project information has already been shared among relevant officials and the project request proceeds smoothly. After its commencement,

progress monitoring and post-evaluation are carried out by JICA in a planned and transparent manner.

Monitoring at the Japan's assistance program level or higher policy level, however, has not been implemented. All ODA projects are listed under respective assistance programs as shown in the Rolling Plan (which is the Annex to the ODA policy document) with an intention of adopting the program approach, where a set of projects are derived from a specific common objective. Most Japan's assistance programs, however, are rather a group of aid projects collected under respective "labels". There were three pioneering programs which adopted the afore-mentioned program approach in Indonesia; namely "Northeastern Indonesia Regional Development Program", "South Sulawesi Province Regional Development Program" and "Program for transport environment development in Jakarta Metropolitan Area", but these programs were dissolved without being evaluated or monitored when the Rolling Plan was revised in association with the revision of Japan's assistance policy to Indonesia in 2017.

b. Linkages of Different Schemes

In the three programs mentioned above, individual projects with different schemes were linked to each other and intentionally designed so that synergetic effects could be produced. Linking different schemes in this way is not often found in other Japan's assistance programs. Nevertheless, the JICA advisors assigned to different line ministries are playing vital roles in enhancing linkages and synergetic effect between related projects with different schemes.

c. Coordination with Other Donors

Although there are no formal donor meetings held as reported in "2-1-1 (4) Relevance with Other Donors", donor projects have been coordinated by ad hoc communications. Moreover, each donor implements projects in its areas of strength. Note that projects assisted by China are mostly infrastructure development, to which Japan's ODA also gives priority, and that China's projects are carried out by lending loans either to Indonesia's public sector or to the private sector. The Japanese government should give due consideration to the fact in order to avoid unnecessary competition with China's assistance and to rather seek for complementary effect.

(3) Appropriateness of Implementation Structure of ODA

Members of the country-based ODA Task Force currently include only the Japanese

Embassy and JICA Indonesia Office. Due to its structure that lacks engagement of broader ODA related Japanese stakeholders as the members, it is difficult to verify that the Task Force meetings adequately address the comprehensive future prospects of the Japan's ODA to Indonesia. Although respective stakeholders actively collect local information to identify development needs based on close consultations with relevant governmental officials at every rank, it is difficult to say that comprehensive discussion are sufficiently made under the name of the country-based Task Force, as there is no written evidence to assess the details of discussions done by respective stakeholders.

2-2 Evaluation from Diplomatic Viewpoints

This section examines the diplomatic importance and impact of the ODA to investigate to what degree the ODA has contributed to the national interest of Japan. Diplomatic importance derives from the significance of Japan's ODA in promoting the national interest; while the diplomatic impact is investigated in terms of how much the national interest has been realized as a result of ODA implementation.

2-2-1 Diplomatic Importance

The following items of diplomatic importance are observed in each sector of the Objective Framework of Japan's ODA policies to the Republic of Indonesia.

(1) Economic Infrastructure Development

The ODA for economic infrastructure development in Indonesia is regarded as a way to provide market opportunities for Japanese business firms to export their infrastructure products. Moreover, investment from Japan to Indonesia is expected to further increase, since business activities are eased as a result of infrastructure development. It is also estimated that an increase in Japanese business activities provides local employment opportunities. These opportunities subsequently lead to social stability in Indonesia, an increase in the safety of local Japanese residents, and a stronger economic relationship between both countries.

(2) Business Environment Improvement

Lack of transparency of the legal system and lack of professional human resources have been identified as major constraints for Japanese business activities in Indonesia. In these circumstances, it is thought that the ODA in this sector will help address these challenges and further promote the business activities of Japan in Indonesia, which would eventually contribute to the economic development of Japan.

(3) Correction of Disparities and Local Development

Poverty reduction is still a major issue to be addressed by the international community, as well as Indonesia, particularly in rural areas. Generally, addressing poverty is regarded as a responsibility of leading developed countries, which means that Japan is expected to fulfill its responsibility as one of the leading countries. Furthermore, addressing income disparity and the regional gap in living standards is essential for creating social stability in Indonesia. Social stability enables Japan to steadily source natural resources produced in several areas of Indonesia, which eventually contributes to securing peace, safety, and economic activity for Japan.

(4) Disaster Management

As is the case with Japan, Indonesia has experienced a lot of disasters, such as earthquakes and tsunamis. Meanwhile, as a leading country in promoting disaster management, Japan has hosted UN World Conferences on disaster risk reduction, and led to the adoption and implementation of the Yokohama Strategy, the Hyogo Framework for Action, and the Sendai Framework for Disaster Risk Reduction 2015-2030. In this light, supporting Indonesia's disaster management strategies enables Japan to literally embody and mainstream disaster management, which Japan aims to promote in international society, and to build confidence as a leader in the international community.

(5) Climate Change and Natural Environmental Preservation

Issues of climate change and natural environmental preservation are considered as significant global challenges for the international community; therefore, countermeasures taken in each country would eventually bring universal benefits. At COP21, Japan declared "Actions for Cool Earth: ACE2.0". In this statement, Japan officially announced an increase in its support for developing countries to address climate change. In this context, supporting Indonesia's response to climate change is quite important for Japan in fulfilling the ACE 2.0 statement.

(6) Response to Issues in the Asian Region and International Society

Assuring the security of the Straits of Malacca is vital not only for Indonesia but also for international society, considering its importance as a maritime transit route in Asia. Indeed, almost 90 percent of the crude oil that Japan imports passes through the Straits of Malacca. In this light, Japan's ODA in this field contributes to promoting bilateral actions to increase the security of the Straits of Malacca, which eventually yields the benefits of maintaining the peace and stability of Japan.

2—2—2 Diplomatic Impact

ODA implementation in Indonesia has impacted diplomacy in a variety of ways, namely in connection to Japan's national interest. The diplomatic impact observed in each sector of the Objective Framework of Japan's ODA policies are described as follows.

(1) Economic Infrastructure Development

Regarding the contracts for a Yen Loan to Indonesia, 70 percent of the main contract was awarded to Japanese business firms. Moreover, 80 percent of the consulting service was given to Japanese consulting firms. There was also a case in which Japanese technical assistance for the Committee for Acceleration of Priority Infrastructure Delivery (KPPIP) provided an opportunity for Japanese business firms to be involved in Public Private Partnership (PPP) schemes of Indonesia.

(2) Business Environment Improvement

Lack of transparency of the legal system has been one of the major constraints for Japanese firms in conducting business activities in Indonesia. Thus, this issue has been vigorously addressed through various technical assistance for the Investment Coordinating Board (BKPM) in Indonesia. In addition, cooperation among relevant Japanese organizations, such as the Embassy of Japan, JICA, JETRO, and Jakarta Japan Club (JJC), has been further promoted to tackle these issues. Consequently, the necessary notifications and information are thoroughly disseminated among Japanese business firms when any regulatory change occurs that is relevant to business activities. As for ODA for higher education, it has greatly contributed to establishing an environment in which professional human resources can be developed, which is still valuable in Indonesia. As a result, the development of the business environment promotes further investment from Japan to Indonesia.

(3) Correction of Disparities and Local Development

Various ODA projects have been supporting local development in Indonesia. Particularly, projects such as those concerning the development of human resources, power sources, basic infrastructure, and irrigation facilities have greatly contributed to the capacity development of local governments, the revitalization of local economies, and the improvement of living standards.

(4) Disaster Management

At the Third UN World Conference on Disaster Risk Reduction, JICA held a seminar on mainstreaming disaster risk reduction in collaboration with the National Disaster Management Agency of Indonesia, which has enhanced Japan's presence in the

field of disaster risk management as a leader. When the earthquake on Sulawesi Island occurred in 2018, a request for support to formulate a reconstruction plan was extended by Indonesian government exclusively to the Government of Japan. In this context, responding to Indonesia's request is regarded as an opportunity to further increase the confidence in Japan as a leading country in disaster management.

(5) Climate Change and Natural Environmental Preservation

Japan's ODA has supported Indonesia's activities to respond to climate change, particularly through the formulation of greenhouse gas inventories, as well as through the implementation of mitigation and adaptation strategies. In the Intended Nationally Determined Contributions (INDC), Indonesia targets the reduction of greenhouse gases by 26% by 2020. Japan's assistance mentioned here are essential for Indonesia to achieve this goal.

(6) Response to Issues in the Asian Region and International Society

Japan's ODA has contributed to increasing Indonesia's capacity to maintain maritime security and has supported Indonesia's attempts to grow into being a donor country from being an aid recipient country. These activities aim to increase Indonesia's performance and contribution, required as the sole member of the G20 among ASEAN countries.

In addition to the diplomatic impact described above, there are two other ways in which major impact has been generated by ODA as a whole, irrespective of sector categories.

Firstly, it can be understood that the continuous ODAs function as a bargaining tool in diplomacy. For example, during the negotiations for the Economic Partnership Agreement (JI-EPA) between Japan and Indonesia, concluded in 2008, the ODA was recognized as an important diplomatic card and highly regarded by the Indonesian government.⁴ Indeed, promoting development cooperation in hard and soft components for Indonesia is included in the EPA statement. This event indicates that past ODA performance has been recognized by Indonesia and has eased EPA negotiations for Japan.

The second impact suggests that Japan's national interest is not necessarily only served by ODA. In opinion surveys for Japan conducted in ASEAN countries in 2008 and 2017,⁵

⁴ Yuri SATO "Chapter 5 Indonesia – negotiation strategies of EPA for Japan" in *FTA political economy – FTA negotiation in seven countries in Asia and Latin America*, published by Aziken Sensho (in Japanese).

⁵ Ministry of Foreign Affairs "Opinion Poll on Japan in Seven ASEAN Countries in Feb-March 2008" and "Opinion Poll on Japan in Seven ASEAN Countries in March 2017".

there is a question asking the reason why Japan can be regarded as a trustworthy country. In Indonesia, the reason mentioning “favorable economic relationship” received the highest scores (71%) compared with alternative answers. The score was even higher than the one of the whole ASEAN countries. This survey result shows that economic activity and trade in the private sector in Indonesia, which was initially driven by ODA, greatly contributes to building trust between both countries, creating national benefits for Japan.

Chapter 3 Recommendations

1. Clarifying Importance of Strengthening Cooperation with Relevant Organizations in Japan's ODA Policies to Indonesia

As mentioned in section 2-1-1(2)b, the importance of strengthening collaboration with other funding and activities of the Government of Japan and its affiliated agencies in providing ODA is not stipulated in the latest Japan's ODA policy for Indonesia, CDGP2017, while it is clearly highlighted in the Development Cooperation Charter. Indeed, the involvement of the Japanese private sector in ODA projects has been significantly increased in Indonesia during the evaluation period. The Indonesian government has a strong intention to further promote private investment in infrastructure development. Considering these facts, it is expected that the private sector in Indonesia will play more significant role in development cooperation in near future. Thus, collaboration with the private sector and ODA agencies in development cooperation needs to be more explicitly encouraged by stipulating the importance of such collaboration in the Japan's development cooperation policy for Indonesia.

2. Monitoring Contribution of Japan's ODA towards Achievement of Indonesia's Development Objectives

Since the Jakarta commitment in 2009, Indonesia has increasingly strengthened its ownership in coordinating development aid. The Indonesian government generally requests development assistance from Japan based on a list of desired development projects that are formulated under 5 year plan of respective Ministries. Then, these development projects requested to Japan are carefully selected through discussion between two countries. Indonesia's strong ownership in requesting and coordinating development aid can be seen as desirable change as a country that has started considering to move from being a recipient country to being a donor country, owing to its advancement in economic development.

As mentioned in the section 2-1-3(2), neither monitoring nor evaluation have been conducted for Japan's assistance program. Japan's assistance program listed in the Rolling Plan (2017) tends to be mere collection of aid projects rather than a set of projects or activities derived from a specific objective. Under the circumstance, monitoring and evaluating Japan's assistance program will not verify enough how much contribution Japan's ODA has made towards achievement of Indonesia's development objectives as a whole. In this light, it is highly recommended that a new way of program monitoring should be developed, particularly focusing on to what degree Japan's ODA has contributed to addressing the development issues and to achieving the development

goals of Indonesia. It is proposed that progress and achievement of a new Japan's ODA project, when the new project can be positioned under a specific Indonesia's program which has measurable targets and goals, will be measured towards the such targets and goals set under the Indonesia's program. If this new attempt is found valid, it will be applied in wider perspectives.

3. Strengthening the Function of the country-based ODA Task Force

The country-based ODA Task Force in Indonesia was established in response to the policy set under the ODA Charter 2003, with a view to strengthen the local function of Japanese stakeholders in understanding the various development needs of Indonesia. However, as mentioned in section 2-1-3 (3), the current members of the country-based ODA Task Force include only the Japanese Embassy and JICA Indonesia Office. Although respective Japanese stakeholders actively collect local information to identify development needs based on close consultations with relevant governmental officials at every rank in the course of performing daily tasks, it is difficult to say that comprehensive discussion are sufficiently conducted under the name of the country-based ODA Task Force. Currently, the government of Indonesia is increasing its ownership in coordinating development assistance in conformity to their development strategies and priorities; therefore, it is increasingly important to comprehend the overall picture of Indonesia's development plans and conduct comprehensive discussions on Japan's ODA plan for Indonesia, engaging wider stakeholders. In this regard, country-based ODA Task Force should be held periodically, engaging wider stakeholders who can contribute to formulation of Japan's development cooperation policy.

4. Resuming a Comprehensive Policy Dialogue between Indonesia and Japan

Section 2-1-3 (1) pointed out that policy dialogue between Indonesia and Japan has not been held since FY2014. Several political meetings are being held at higher official and sector levels instead. However, they are not enough to comprehensively understand Indonesia's needs and expectation on Japanese ODA; hence, it is recommended that a comprehensive policy dialogue between two countries should be resumed to fully discuss issues related to ODA as well as to share same understanding of respective countries' policy and priorities in more comprehensive manner. Having a mid- and long-term ODA vision is quite important when policy dialogue is conducted. In this light, "Project 2045: The Path to Peaceful and Prosperous Indonesia in 2045", a policy report formulated by intellectuals from both countries, could be used as a reference, as it provides a perspective on the bilateral relationship with a view towards 2045 which is the 100th anniversary year of the founding of Indonesia.

Annex 1 Photo



Interview with the Dept. of Bilateral Funding,
BAPPENAS



Interview with the Dept. of Environment,
BAPPENAS



Interview with the Ministry of Energy and
Mineral Resources



Interview with the Ministry of Foreign Affairs



Interview with BAPPEDA South Sulawesi



Interview with the representatives of Banda
Ache City



Interview with the Indonesian Education
Promoting Foundation



Interview with the Environmental Dept. of
South Tangerang