

MONITOR

DEVELOPMENT POLICY

THE ROLE OF NON-TRADITIONAL DONORS IN DEVELOPMENT COOPERATION

NO. 8/2021

Advocate of Developing Countries and Multilateralism

Indonesia's role in international development policy

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- › Indonesia's engagement in development assistance within the framework of South-South cooperation dates to the founding years of the island republic and - while at a relatively modest level - has continuously been an important component of its foreign policy.
- › The country is a strong advocate of cooperation and solidarity among the countries of the Global South and an increasingly important player in the arena of international politics. Indonesia presents itself as a proponent of multilateralism and of a rules-based global order.
- › As a regional power in Southeast Asia, the focus of Indonesia's foreign and development policy is primarily on relations within ASEAN and on its neighbouring states.
- › In the 1960s and 1970s, Indonesia's development cooperation focused predominantly on technical assistance and knowledge sharing as well as on the supply of goods. Indonesia later used its growing economic power to expand and institutionalise its development programmes. With the establishment of Indo-AID as a unified development agency at the end of 2019, Indonesia intended to overcome structural deficiencies in its development cooperation.
- › As an emerging regional power in Southeast Asia, the island state will continue to play an important role in international development cooperation and offer itself as a global partner in solving urgent global development issues, despite its own limited financial resources.

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Introduction

Indonesia has been a dedicated advocate of cooperation and solidarity between the countries of the Global South since its independence and establishment as a state and is an increasingly important player on the international political stage. At the Asian-African Conference held in Bandung in 1955, the desire for cooperation and independence for the peoples of the so-called "Third World" was formulated for the first time and ideas for a new non-aligned international order were outlined. It was from this development that the Non-Aligned Movement (NAM) was founded in 1961, with Indonesia being a major player in its creation. The main aim of the movement was to act as a neutral entity for peace, independence, and cooperation amongst developing countries amidst the East-West conflict between the two power blocs. Indonesia was also the driving force behind the Association of Southeast Asian Nations (ASEAN), which was founded in 1967, and has continuously promoted strong economic, political and social cooperation in the region.

As a regional power in Southeast Asia, Indonesia is playing an increasingly leading role among emerging economies. It is the third largest democracy with the fourth largest population and the largest Muslim population in the world. It also has the largest economy in the Southeast Asia region. Indonesia is the only Southeast Asian country to be a member of the G20 - the group of major industrialised and emerging economies - and will assume the G20 presidency for the first time in 2022. The government in Jakarta is a committed proponent of multilateralism and rules-based global governance and is a global advocate for peace and development. This also forms the basis for Indonesia's current foreign and development policy.

Traditional commitment to development cooperation

Indonesia's involvement in development assistance within the context of South-South cooperation can be traced back to the early years of the foundation of the island republic. In 1946, just one year after the state was founded, Indonesia sent 500,000 tonnes of rice as humanitarian aid

to India, which was suffering the consequences of a devastating famine at the time¹. The founder of the state and first president of Indonesia, Sukarno, was an advocate and supporter of the decolonisation and independence of the countries of the Global South and aligned his foreign policy accordingly. In 1955, as host of the Bandung Conference, he and other national leaders provided the impetus for the later formation of the Non-Aligned Movement (NAM) in 1961. At the first United Nations Conference on Trade and Development (UNCTAD) in 1964, the Group of 77 was established with the primary objective of strengthening South-South cooperation. In response to the economic turbulence of the 1970s, the UN Conference in Buenos Aires in 1978 adopted the Plan of Action for Promoting and Implementing TCDC (Technical Cooperation Among Developing Countries), or BAPA for short (Buenos Aires Plan of Action). This established a formal framework for South-South cooperation as a supplement to the North-South technology transfer previously favoured by the industrialised countries.

In the 1960s and 1970s, Indonesia's development cooperation focused predominantly on technical assistance and knowledge sharing as well as on the supply of goods. Later, under President Suharto, Indonesia used its growing economic power to expand and institutionalise its development programmes. In 1981, the Indonesian government established the Indonesian Technical Cooperation Program (ITCP). In the 1990s, the ITCP became the Indonesian South-South Technical Cooperation under the direction of the State Secretariat (SETNEG). The cooperation was predominantly focused on training and knowledge sharing programmes in the areas of agriculture, fisheries, family planning, and civil protection for countries in Africa and Asia.

In 1992, Indonesia took over the presidency of the Non-Aligned Movement (NAM), and in 1995 the NAM Center for South-South Technical Cooperation (NAM-CSSTC) was established in Jakarta. As the coordinating institution for the development programmes of the NAM states, the NAM-CSSTC is primarily focused on poverty reduction, the promotion of SMEs, health, agriculture, the environment, and information and communication technology².

Many of the ITCP's activities have been implemented as triangular partnerships with the help of funding from third countries. In the 1990s, the most prominent donors included the United Nations Development Programme (UNDP) and the Japan International Cooperation Agency (JICA)³ as well as other supporters such as the United States Agency for International Development USAID, the Islamic Development Bank ISDB and others.

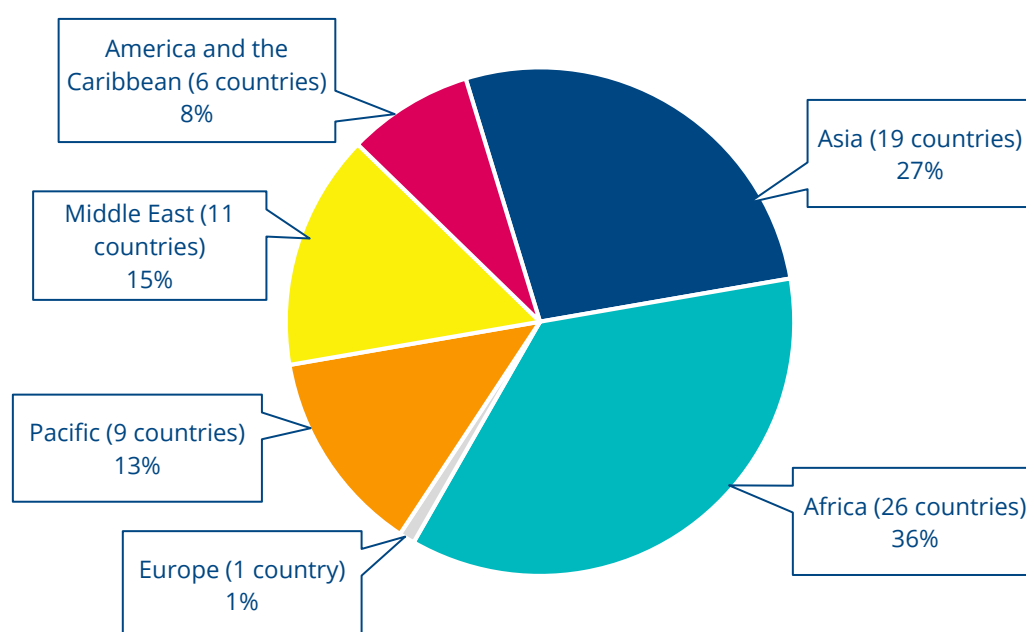
With Indonesia's accession to the G20 in 1999, its role and opportunities within South-South cooperation have broadened accordingly. During the presidency of Susilo Bambang Yudhoyono, Indonesia's political agenda was heavily influenced by foreign policy, which went hand in hand with Jakarta's increased involvement in the international arena. South-South cooperation became a foreign policy priority. On the 50th anniversary of the Bandung Conference in 2005, the Declaration of the New Asian-African Strategic Partnership was adopted in Jakarta at a meeting of 89 Asian and African countries. The aim of this declaration was to bring about practical and sustainable cooperation based on mutual benefit and equal partnership as well as shared conviction and vision⁴.

Indonesia's South-South cooperation

It was in 2010 that South-South cooperation was first included as a priority in the Indonesian government's National Medium-Term Development Plan (RPJMN) for 2010-2014. It was to this end that a National Coordination Team of SSTC (NCT of SSTC) was established as the coordinating body, consisting of four ministries: the Ministry of Foreign Affairs, the Ministry of National Development Planning, the Ministry of Finance, and the Ministry of the State Secretariat. From 2010 to

2015, according to the 2016 Annual Report of Indonesian South-South Cooperation (SSC)⁵, more than 780 South-South cooperation programmes were funded at a cost of 57.4 million USD. These programmes benefited approximately 5,000 participants from Asia, Africa, the Pacific, the Middle East as well as Latin America. Among the partner countries were Cambodia, Laos, Myanmar, Vietnam, Sri Lanka and East Timor in Asia; Tanzania, Ethiopia, Kenya and Uganda in Africa; and Fiji, Samoa and Papua New Guinea in the Pacific. In 2016, the programme budget was again significantly increased, with a total of 15 million USD allocated to 51 programmes⁶. The SSTC programmes are funded partly through the Indonesian national budget, with each of the four ministries involved having their own budgets, and through funding from third countries by way of triangular cooperations. In 2016, triangular cooperations accounted for 51 per cent of Indonesia's total SSC.

Chart 1: Indonesia's South-South cooperation programmes by region, 2018 (per cent)

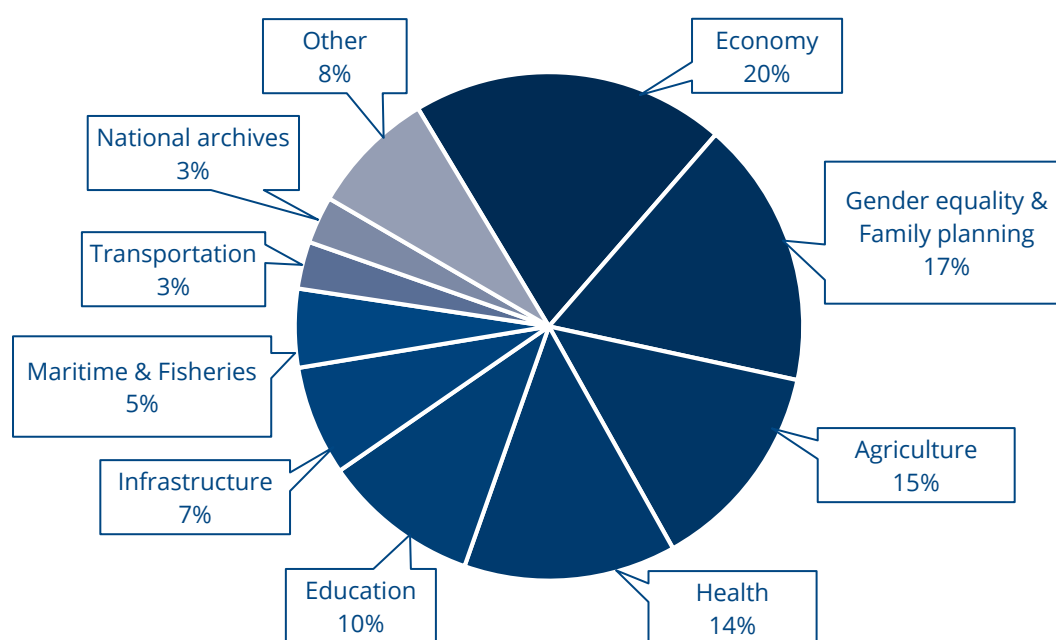


Source: own depiction according to the Annual Report of Indonesia's South-South and Triangular Cooperation (SSTC) 2018.

President Joko Widodo carried forward the foreign policy focus of his predecessor and continued the SSC after he took office in 2014. In his policy programme *Nawa Cita*⁷, which sets out nine priorities and guidelines for Indonesia's national development, SSC is included as an important component of national foreign, security, and development policy. The principles of the nine-point plan were taken up and implemented in his government's National Medium Term Development Plan RPJNM (*Rencana Pembangunan Jangka Menengah*) for the years 2015-2019⁸. At the international conference commemorating the 60th anniversary of the first Asian-African Conference in Bandung (Jakarta and Bandung, April 2015), President Joko Widodo spoke about the necessity of a new economic order that would offer opportunities for the development of new emerging economic powers and therefore contribute to greater justice, fairness, and peace. The adoption of the Declaration on Reinvigorating the New Asian-African Strategic Partnership (NAASP) once again emphasised the importance of SSC and called for the establishment of an operational framework for a corresponding monitoring system.

The activities of Indonesia's South-South cooperation continued and expanded further in 2017 and 2018. In 2017, according to Indonesia's Ministry of State Secretariat's annual report on SSC, a total of 59 programmes were implemented for 1,030 participants from 54 countries, mainly in the form of training programmes (59 per cent), expert missions (13 per cent) and workshops (14 per cent), as well as scholarships (2 per cent). SSC programmes were mainly focused on agriculture (22 per cent), infrastructure (18 per cent), disaster mitigation (10 per cent), economy (7 per cent) and health (7 per cent) and were predominantly (59 per cent) funded from the Indonesian national budget. The beneficiary countries included East Timor, Fiji, Kenya, Papua New Guinea, Afghanistan, the Philippines, the Solomon Islands, Sudan and Palestine⁹. In 2018, 59 programmes were also funded, benefiting 1,313 participants from 72 countries. The sectoral focus was on the economy (20 per cent), gender and family planning (17 per cent), health (13.5 per cent), agriculture (13.5 per cent) and education (10 per cent). In addition to East Timor, Fiji, Afghanistan, and Palestine, the recipient countries also included Myanmar, Bangladesh, Sri Lanka, and Nepal¹⁰. In these countries, development assistance consisted mainly of training and knowledge sharing programmes and, increasingly, scholarships.

Chart 2: Breakdown of Indonesian SSC programmes by sector, 2018 (in per cent)



Source: own depiction according to the Annual Report of Indonesia's South-South and Triangular Cooperation (SSTC) 2018.

In 2019, Indonesian SSC funds financed assistance programmes in the Pacific island states of Tuvalu, the Solomon Islands, Fiji, Nauru and Kiribati, as well as in Myanmar and the Philippines¹¹.

Despite an initial strong emphasis on foreign and development policy in President Widodo's political agenda, the actual policies of his government during his first term in office in 2014-2019 focused primarily on domestic objectives: expanding comprehensive infrastructure, modernising and developing industry, attracting investment, and boosting the economy. When it comes to Indonesian development policy, it becomes clear that Indonesia is still predominantly a recipient of international development and funding programmes, and that its own SSC's activities have a comparably small financial scope. In 2016, for example, the budget for SSC activities amounted to only

15.4 million USD and this amount did not increase significantly in the following years. By comparison: in 2017, Indonesia received 280 million USD in ODA (official development assistance) funds, according to the World Bank¹². An evaluation of the planning and implementation of development programmes conducted within the framework of South-South cooperation also reveals clear structural deficiencies: inadequate coordination, poor organisation and institutionalisation. The National Coordination Team for SSC (NCT-SSC) is made up of four ministries that are responsible for the design, planning, funding, and coordination of SSC projects. Further sectoral ministries as well as regional and local authorities, enterprises and non-governmental organisations are consulted and involved in the implementation. The diverging interests and competencies of the individual stakeholders, as well as the lack of clear and consistent legal rules and regulations, repeatedly led to friction losses and a reduction in the efficiency of the cooperation. This problem was acknowledged by the government and sparked a debate on the creation of a unified agency for Indonesian South-South cooperation as early as 2016. But the decision-making process proved to be arduous and lengthy. While a presidential decree in 2017 provided the legal basis and a political mandate for the establishment of a unified development agency, bureaucratic sluggishness and rivalry among the various authorities involved resulted in further delays.

Establishment of Indo-AID - a unified development agency

It was only shortly before the end of President Joko Widodo's first term in office that the process of establishing a unified Indonesian development agency was successfully completed. In October 2019, the establishment of the Indonesian Agency for International Development (Indonesian AID) was officially announced at a ceremony attended by Vice President Jusuf Kalla, who was a key driving force behind the success of the process, as well as Foreign Minister Retno Marsudi, Finance Minister Sri Muliani Indrawati and the then Minister of National Development Planning Bambang Brodjonegoro. Indonesian AID (*Lembaga Dana Kerjasama Pembangunan Internasional*, LDKPI) has been allocated seed capital of 212 million USD and is supposed to benefit from annual funding from the state budget from 2020 onwards. Foreign Minister Marsudi hailed the agency as a valuable tool that could further strengthen Indonesia's presence on the international stage as well as its role in international development policy¹³. Indo-AID is a body governed by public law (*Badan Layanan Umum*, BLU) and operates under the supervision of the Ministry of Finance and the Ministry of Foreign Affairs. The agency is responsible for the procurement and distribution of funding and grants for development projects with other states and international organisations, in pursuance of Government Regulation No. 57/2019. Technical cooperation will continue to be the responsibility of the existing National Coordination Team for South-South Cooperation (NCT-SSC), which will also coordinate triangular technical cooperation with third countries.

The allocation of funding by Indo-AID is to be demand-driven (based on the needs of the respective recipient countries) and in line with the development policy guidelines of Indonesia's foreign policy. In this context, priority is to be given to assistance programmes aimed at dealing with natural disasters and humanitarian crises. Focussing on sustainable development, climate change and poverty reduction, development cooperation should also be in keeping with the Sustainable Development Goals (SDGs) of the United Nations.

However, the outbreak of the COVID-19 pandemic in early 2020 has considerably decelerated and limited the scope of Indonesia's development cooperation. As a result, it was only possible to conduct training and knowledge sharing activities online, and to conduct material assistance programmes. In December 2020, at a virtual conference held by the Indonesian Ministry of Foreign Affairs in Jakarta, funding and cooperation programmes were signed with the governments of East Timor, the Solomon Islands, and Fiji. According to Foreign Minister Retno Marsudi, the pri-

mary intention of these programmes is to help combat the COVID-19 pandemic and to be supported by the provision of medical supplies and technology from Indonesia. He added that the assistance programmes were part of the bilateral partnership with these Pacific nations, which comprises economic, developmental, and technical cooperation measures¹⁴.

Focus on the Indo-Pacific

Indonesia's South-South cooperation and development assistance programmes need to be viewed within the context of the country's foreign policy and strategic interests and priorities. As a regional power in Southeast Asia, Indonesia's foreign policy focuses primarily on relations within ASEAN and on its neighbouring states. Moreover, Indonesia has traditionally sought a more balanced relationship with the big powers on the global stage, particularly with the USA and China at present. As the focus of international geopolitics increasingly shifts to the Indo-Pacific region, Indonesia and ASEAN are adjusting their strategic priorities and policies to reflect this trend.

At the 2019 ASEAN Summit in Bangkok and following Indonesia's suggestion, the ASEAN Outlook on the Indo-Pacific (AOIP) was adopted. This strategy paper aims to bring the political interests and priorities of the ten member states in this region under a common banner¹⁵. It places emphasis on the principles of centrality, neutrality, and the leadership role of the ASEAN countries in the Indo-Pacific region. Its main objectives are to enhance economic cooperation and sustainable development and to bolster maritime security in the regions of the Pacific and Indian Oceans. This concept is aimed at complementing the existing Master Plan for ASEAN Connectivity 2025 (MPAC). However, a substantive implementation of the points and mechanisms listed in the AOIP will invariably be dependent on the respective interests and capabilities of the individual ASEAN countries.

Indonesia's role as the main initiator behind ASEAN's Indo-Pacific concept can be linked to its geo-strategic interests. As the largest island state in the region and with extensive maritime territories, the strengthening of maritime security and cooperation is of paramount importance. At the beginning of his time in office, President Joko Widodo announced that he wanted to transform Indonesia into a "global maritime axis" (*poros maritim dunia* in Indonesian). It was intended that the development of a comprehensive maritime strategy would address Indonesia's multiple challenges and problems, both domestically and at the regional and global levels, and that a consistent programme of transformation and modernisation would be put in place to tackle them¹⁶. Alongside the foreign and security policy aspect, the concept also had a domestic policy objective - a comprehensive expansion of infrastructure, the modernisation and development of industry, as well as luring investment and stimulating the economy.

So far, the concrete implementation of the concept of a maritime axis has fallen considerably short of the original plans because of internal and external factors. Despite this fact, its overall strategic direction is still relevant as a guideline for Indonesia's foreign and development policy. In November 2019, Foreign Minister Retno Marsudi announced plans to hold the first ASEAN Indo-Pacific Infrastructure and Connectivity Forum in 2020¹⁷. The forum will be held regularly and aim to promote the concrete implementation of the AOIP agenda in the field of economic cooperation and connectivity. The initiative aims to provide ASEAN with a third option to the existing strategic concepts of the Free and Open Indo-Pacific (FOIP), which is supported by the USA, Japan, Australia, and India, and to China's Belt and Road Initiative (BRI). Indonesia and other maritime states such as Malaysia, Brunei and Singapore are keen to establish this forum as an additional platform from which ASEAN states can seek to acquire international funding and thus reduce their dependence on China and the USA. The rivalry that exists between the USA and China as the two major powers is becoming an increasing burden on the geopolitical structure in the Indo-Pacific and the political

situation of ASEAN. Indonesia aims to use this initiative to become more involved as a regional power and to reassert its previous leadership role in ASEAN more prominently. At the beginning of his second term, President Joko Widodo would thus appear to be returning to his earlier foreign policy positions.

The overriding priority for Indonesia and ASEAN is economic recovery and revitalisation in the wake of the COVID-19 pandemic. Additionally, there are other issues and challenges that are important for the Indo-Pacific: the impact of climate change, the use of maritime resources, marine pollution, maritime crime and piracy, maritime connectivity, the blue economy and so on. All these issues will set the agenda of the Indo-Pacific Forum in the coming years. Due to the ongoing restrictions stemming from the COVID-19 pandemic, the forum has been postponed several times and is now expected to take place in 2022.

One issue not explicitly mentioned in this framework is the question of security cooperation. In the South China Sea, China's extensive sovereignty claims conflict with the claims of the other neighbouring maritime states of the Philippines, Malaysia, Brunei, Indonesia and Vietnam. As a transit route, the region is of key importance for global trade and the world economy, meaning that China's claim to power on its own carries considerable potential for conflict in this region. Yet, due to the different economic, political and security interests of the individual ASEAN states, a common and clear position towards this challenge has so far failed to emerge. The AOIP places emphasis on the principles of the peaceful resolution of conflicts and tensions, freedom of navigation, transparency and rules-based order, and sustainable development. There is no desire for an open conflict with China, and Indonesia, as the leading ASEAN country, is seeking to find a peaceful compromise solution through consensus with the other member states.

Partner countries for development cooperation

Going forward, Indonesia will continue to be an advocate for the countries of the Global South and a champion of multilateralism and rules-based global governance at an international level. As a middle-income emerging economy, Southeast Asia's largest country will continue to rely on funding and development assistance from industrialised countries, but its own share of development assistance to countries in the Global South will also increase in line with its financial and economic capabilities. To date, Indonesian development cooperation programmes have mainly targeted countries and regions in which Indonesia has economic, foreign and security policy interests. These countries include neighbouring states such as East Timor, Papua New Guinea and the Philippines, the Pacific island states of the Melanesian Spearhead Group (MSG), the ASEAN states Myanmar, Laos, Cambodia, as well as countries in Africa (Sudan, Kenya, Ethiopia), the Middle East (the Palestinian Territories) and Asia (Afghanistan, Sri Lanka). In international organisations, such as the United Nations and its sub-organisations, as well as the G20, Indonesia is a traditional advocate for developing countries - a particular notable feature is Jakarta's dedicated commitment to the rights of Palestinians and the Rohingya.

Development cooperation between Germany and Indonesia has a long tradition. At present, the cooperation is focused on the areas of climate change, energy, sustainable economic development/vocational training, and environmental protection¹⁸. The earlier focus on "good governance" continues as a cross-sectoral issue that is taken into account in all areas of cooperation. Specifically, Germany promotes measures to increase the state's own revenues and to fight corruption. The bilateral cooperation projects should be linked more closely with regional processes in the future. This applies especially to the ASEAN Economic Community (AEC).

Conclusion

Indonesia is one of the traditional players in South-South cooperation and is regarded as an advocate of multilateralism and a rules-based world order. Indonesian development cooperation dates to the founding days of the republic and - although at a relatively modest level - has been a continuous and significant component of foreign policy. The strategic focus is on intra-ASEAN relations and on achieving a balanced relationship with the major powers, the USA and China. The establishment of the unified development agency Indo-AID in 2019 has given Indonesian development assistance an institutional framework. As an emerging regional power in Southeast Asia, the island state will continue to play an important role in international development cooperation in the future, despite its own limited financial resources, and present itself as a global partner in solving urgent global development issues.

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Imprint

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