

Decentralization Reforms and Development Cooperation – Reflections on the Results of German Technical Cooperation Supporting Decentralization Reforms in Indonesia (1992 – 2010)

Introduction

Decentralization has been a key element in governance reform in many countries over the last three decades, often aided by development partners.² As the 2010 Global Forum on Achieving the MDGs through Local Government indicates, the empowerment of local government continues to draw support.³ Asian countries have joined this trend largely since 1990;⁴ the Philippines with its 1991 Local Government Code, Indonesia's „Big Bang decentralization“ starting in 1998/99, and Cambodia with its Commune Law of 2001. The Indonesian case stands out because of the speed and depth of the reforms. All these reforms however remain „work in progress“, having reached different levels of maturity. Compared to other decentralization reforms in the region, Indonesia lacks a medium to long-term vision of her reform strategy, and the management of the reform remains scattered between several key actors.

German technical cooperation (TC) to Indonesia had been involved in decentralization and local governance reforms since 1992. Following years of „trial and error“ when the Suharto regime was at the height of its power and paid only lip service to decentralization, German TC found itself in the middle of a highly volatile regime change when the Asian financial crisis of 1997 resulted in the meltdown of Suharto's *Orde Baru* system a year later. The political turmoil provided technical cooperation actors with a unique opportunity to influence national reform trajectories by providing policy advice at the highest level. Not surprisingly, the days of high drama have been replaced by more mundane efforts to fine-tune reforms and to fill gaps in the emerging new governance structures. The challenges of TC in this evolving context are different from those of the early years, but no less daunting.

Approaching nearly twenty years of support to decentralization (and wider public sector reforms) in Indonesia, there is again the need to reflect on the results of the technical cooperation provided by the German Government and to review modalities and modes of delivery of this form of international cooperation. Such a reflection takes place in a very different setting as compared to the last decade: a relatively stable political Indonesian system in which national policy makers have different expectations from technical cooperation; a fast-growing Indonesian economy (Indonesia is a member of the G-20 and is nearing middle-income country status) with the resulting increased weight of Indonesia in regional and international politics; a radically altered development aid architecture following

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² See for instance World Bank (2008). *Decentralization in Client Countries. An Evaluation of World Bank Support, 1990-2007*. World Bank Independent Evaluation Group (IEG). Retrieved from www.dpwg-lgd.org/cms/front_content.php?idcat=38

³ UNCDF (2010). *Global Forum on Local Development Report*.

⁴ See for instance World Bank (2005). *East Asia Decentralizes: Making local government work*.

the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action⁵. Indonesia's political transition is evidently unfinished, but its attitude towards donor support reflects a greater sense of its growing economic strength and sovereignty, already seen in attitudes toward international finance institution (IFI) loans. The stance toward grant-based support is also shifting. The Jakarta Commitment⁶ is an attempt to realize aid effectiveness principles across the board, and the interaction with donors on politically sensitive reforms like decentralization is influenced by these changing national sentiments.

The paper begins by depicting the larger Indonesian policy context for German TC in decentralization reforms over the last two decades (Chapter 1). This is followed by an analysis and assessment of the German TC in Indonesia in this field, using as starting point some conceptual work from the late 1990s; the current development aid architecture is furthermore partly used to benchmark such TC against what is now regarded as „good practice“ (Chapter 2).⁷ Successes and failures of TC support, and underlying success factors and constraints are highlighted in Chapter 3. Finally, some conclusions are drawn regarding the appropriateness of and specific demands for technical cooperation as an instrument of development cooperation in terms of country and thematic context (Chapter 4).

1. Context and Character of Decentralization Reforms in Indonesia 1992 – 2010

The 1980's and 1990's: intimations of decentralization

Unlike many developing countries, Indonesia has had a heightened awareness of decentralization in terms of both principles and practice. In part, this came as a result of the Dutch colonial rule, where some measure of the Dutch administrative system was adapted to the need to carefully control a vast and complicated archipelago. The internationally known modes of decentralization have been long acknowledged and applied. Suharto's *New Order* had put in play **deconcentration** (*dekonsentrasi*), **devolution** (labelled „decentralization“ or regional autonomy/*otonomi daerah*); and **agency tasks** (or delegation) (called co-administration/assistance or *medebewind/tugas pembantuan*). It is widely agreed that deconcentration dominated throughout the New Order period. By the early 1990's Soeharto, at the peak of his power, was willing to allow some room for devolution, though memories of Dutch imposed federalism and the regional rebellions post-independence added to the inherent reluctance of the patrimonial state to make significant concessions to regional elites.

At this time, the framework for decentralization and regional government was set in Law 5/1974, which in principle allowed all modes of decentralization. Efforts to promote devolution within the state were anaemic, with the national legislature a rubber stamp; regional elites, though grumbling, were held in check by a security approach and the rewards of a vast patron-client network. Follow-up regulations to Law 5/1974 that would allow for genuine devolution proceeded at a glacial pace. The only decentralization steps taken in the late 1980s were in selected sectors where World Bank investment and pressure was significant (like health and public works). Even here, reforms did not push beyond the provincial level of administration.

In the early 1990s, some changes appeared to be underway. The development planning and spatial planning frameworks were under review. Senior bureaucrats (like J.B. Kristiadi, then Head of *Lembaga Administrasi Negara*/LAN [National Agency for State Administration]) sought to activate the dormant inter-ministerial *Council for the Deliberation of Regional*

⁵ See the OECD website for details of both declarations and related agreements: http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html

⁶ See http://www.a4des.org/index.php?option=com_content&view=category&layout=blog&id=57&Itemid=64

⁷ This paper does not deal with TC support to „special autonomy“ of Aceh and Papua, which deserve separate and detailed treatment. GTZ – with funding from the European Union – has been supporting local government reforms in Aceh since 2006.

Autonomy (DPOD), and were able to do so for a while with frequent meetings and lively discussions between LAN, the State Ministry for Administrative Reform (Minister Sarwono) and the Ministry of Home Affairs under Rudini.⁸ LAN was also the leading actor behind the belated Government Regulation 45/1992 that was meant to accelerate devolution based on Law No. 5/1974 in a step-wise fashion, in accordance with clear criteria and in accordance with regional capacities which were to be assessed by means of an extensive study.⁹ As it turned out, the extensive and drawn out „capacity“ study only served to postpone any action.¹⁰

The personalized nature of reform efforts was evident as the Fifth Development Cabinet (1988-1993) gave way to the Sixth (1993-1998). LAN was elbowed out by MenPan when Minister Silalahi convinced the President to embark on a district autonomy pilot program (PPOD in the Indonesian acronym). Without properly involving the Ministry of Finance (MoF), the National Development Planning Board (Bappenas) or sectoral agencies, Menpan pushed ahead with this limited initiative, involving 26 districts, one in each province.¹¹ The effort soon revealed its conceptual and institutional flaws, notwithstanding the efforts of technical cooperation actors like Germany to encourage within it a learning and adapting mechanism.¹² As sentiments grew against the limitation of the PPOD, these partial reforms were overtaken by the regional financial and economic crisis of 1997. In short order this crisis widened to become the political upheaval of 1998 that unseated Soeharto and ushered in wide-ranging political and administrative reforms.

The Big-Bang and subsequent reforms

Under tremendous pressure to prove its reformist credentials, the Habibie administration that assumed power after the demise of Suharto initiated a number of important reforms, including nation-wide decentralization.¹³ A seven-member team of officials (*Tim Tujuh*)¹⁴ rushed through a revision of the legal framework for decentralization by creating Law No. 22/1999 on Regional Government and Law No. 25/1999 on Fiscal Balance Between the Central Government and the Regions. Dubbed the „Big Bang,“ the twin framework laws on regional government and its finances were bold and quirky in some respects, particularly in defining district/city functions as a large residual, after the central and provincial functions were specified. The reform made the regional head much more accountable to the regional representative councils (DPRD), to the point of possible impeachment. Along with functions, the regional budget was augmented, with the largest component being a discretionary block fund. Staff, buildings, and other assets were transferred in rough correspondence to functions. The initial notion of minimum service standards to hold regional governments to account on their performance also emerged in this initial reform.

Completing the new legal framework took much more time than anticipated, and in the process of implementation it became evident that the concept of regional autonomy was inconsistent, particularly in moving from the law to implementing regulations. Some reform elements were not clear – functional assignment and service standards for instance. Others seemed to be yielding undesirable results – for instance the large fiscal disparities, money politics in regional head selection, and abuse of the DPRD threat of impeachment. Even as

⁸ Doctoral research interview by Gabriele Ferrazzi of J. B. Kristiadi, head of LAN, November 6, 1997.

⁹ Regulation of the Government of the Republic of Indonesia Number 45 of 1992 Regarding the Implementation of Regional Autonomy with Emphasis on Second Level Regions

¹⁰ Beier Ch. and Ferrazzi, G. (1998). Fiscal Decentralization in Indonesia: A Comment on Smoke and Lewis. *World Development*, 26(12), 2201-2211.

¹¹ Beier, Ch., and Ferrazzi, G. (1997). The District Autonomy Pilot Program: A new approach to decentralization in Indonesia, *Nord-Süd*, XI(1): 94-101.

¹² Ferrazzi, G. & Beier, Ch. (1997). Technical Cooperation in M&E System Development: the case of the District Autonomy Pilot Program in Indonesia, *Canadian Journal of Development Studies*, XVIII, special issue: 735-765.

¹³ Crouch, Harold (2010). *Political Reform in Indonesia after Soeharto*, ISEAS: Singapore.

¹⁴ Ryaas Rasyid (Minister for Regional Autonomy 1999-2000), Rapiudin Hamarung, Andi Malarangeng, Affan Ghafar, Djohermansyah Djohan, Ramlan Surbakti, dan Lutfi Mutty.

the new framework was being elaborated, pressure for revisions was already building up, as readily acknowledged by the Director General for Regional Autonomy in the Ministry of Home Affairs.¹⁵ Development partners (DPs) also encouraged further improvements.

Table 1: Fundamental decentralization reforms 1999 to 2010

President	Period	Major reform event	Decentralization and related legal framework
Baharuddin Yusuf Habibie	1998- 1999	Broad political reforms Big Bang Decentralization	Law 22/1999 on Regional Government Law 25/1999 on Fiscal Balance Between the Central Government and the Regions
Abdurrahman Wahid (Gus Dur)	1999- 2001	Operational regulations for decentralization	Preparatory work to make the two laws operational, e.g., Government Regulation 25/2000 on the Functions of the Central Government and the Provincial Regional Government; Capacity Building Needs Assessment Study
Megawati Soekarnoputri	2001- 2004	Review and revision of 1999 decentralization laws	Constitutional Amendment, creating the Regions' Representative Council (DPD) and new language on regional autonomy Law 32/2004 on Regional Government/Law 33/2004 on Fiscal Balance Between the Central Government and the Regions
Susilo Bambang Yudhoyono	2004- 2009 2009-	Review of 2004 framework laws on decentralization Government version of revised framework laws being drafted	E.g., GR 65/2005 on Minimum Service Standards and GR 38/2007 on the Assignment of Functions between the Central, Provincial, and District/City Governments. GR 6 /2005 on Direct Election of Regional Heads

Even before the implementing regulations for the two laws were concluded, the Ministry of Home Affairs under the succeeding administration of President Megawati Sukarnoputri (2001-2004) began to review the big bang. This review was temporarily blunted in late 2001 by stakeholders; principally by objections raised by the district government association to proposed recentralizing provisions.¹⁶ It gathered steam again in 2003, and in the waning days of the Megawati presidency culminated in Law 32/2004 and Law 33/2004, replacing the regional government and finance laws respectively. The revision process was again typical New Order-style. The government-prepared drafts were not widely consulted with stakeholders and were rushed through the DPR, with little helpful scrutiny by its members. The regional government law tightened control over personnel administration and regional regulations; largely removed the impeachment threat wielded by the DPRD, and introduced direct election of regional executives. Less anticipated were the downgrading of the village council to an advisory body to the village head; continued muddle on the role of the province vis-a- vis the governor as a representative of the central government; poorly conceived typology of functions; inadequate safeguards to stem the proliferation of regions; and persistence of inconsistencies between the regional government law and the finance law.

The Balance Sheet in 2011

Indonesia's decentralization reforms are deemed impressive by many observers, and countries contemplating reforms make Indonesia their study tour destination.¹⁷ The changes seen in the structures and processes of government and administration have been remarkable, in terms of functions, staff and resource transfers to regional governments.¹⁸

¹⁵ See for instance Donor Working Group on Clarification of Law 22 – Minutes of Meeting, Monday, 9 June 2003.

¹⁶ Ferrazzi, G. (2003). *Assessment of the Revision Process of Indonesia's Decentralization Framework*, Ministry of Home Affairs and World Bank Dutch Trust Fund - Strengthening Indonesia's Decentralization Support, January.

¹⁷ MoHA has hosted Ugandan, Nepalese and Cambodian representations, for instance.

¹⁸ Regarding the transfer of civil servants, see Rohdewohld, R. (2003). Decentralization and the Indonesian Bureaucracy: Major Changes, Minor Impacts? in: Aspinell, E. and Fealy, G., *Local Power and Politics in Indonesia: Decentralization and Democratization*. Singapore (ISEAS). 259-274.

National and regional legislatures have much more say, and political parties abound. The media is more vibrant, as are CSOs. Governments at all levels are more inclined to open up the policy development process (including the legal drafting process) and to link with CSOs to obtain relevant inputs.¹⁹ Local political systems are in general more open and democratic²⁰, and the rounds of local elections since the Big Bang have frequently resulted in changes of local leadership. The direct election of district and provincial heads that have occurred in staggered fashion since 2005 have added to the democratisation of local politics.²¹ Whatever the service delivery effects of decentralization, politically it has created a more open, fragmented and heterogeneous political system which is no longer dominated by the central government bureaucracy and the military. Plus – not to be forgotten – the threat of national disintegration which loomed large in 1998 – has largely receded.²²

Despite the above progress, many Indonesians are disappointed with the fruits of decentralization. Ryaas Rasyd, an architect of decentralization as State Minister in 1999-2000, lamented that “We have seen no improvement in prosperity between the era prior to decentralization and a decade later.”²³ And some DPD members believe that “...regional autonomy that gave new hope in reality has not brought meaningful change.”²⁴ Assessments made in 2006 and 2009 by USAID-DRSP acknowledge the more open environment but suggest that progress on governance has been uneven at best, with setbacks along the way; service provision has not improved much.²⁵ Compared to other countries, Indonesia's reforms are characterized by the lack of a comprehensive and cohesive medium to long-term strategy²⁶, lack of a coherent management of the reform process, a multitude of central government actors pursuing individual institutional agendas²⁷, and a continuing preference for a closed style of policy making. It is also a highly personalized field of policy reforms where individual actors seem to drive the agenda, rather than organized and articulated interest groups.

That decentralization has not delivered in a big way on its theoretical promise for improved service delivery is not out of step with the larger appraisal of Indonesia's reforms and development since 1999. A recent Harvard University review notes that when seen in its regional context, Indonesia is underperforming. It is falling behind China, India, Malaysia, the Philippines, Thailand and Vietnam in sectors like education, foreign direct investment, health,

¹⁹ USAID-DRSP (2009). Decentralization 2009 Update - Stock Taking on Indonesia's Recent Decentralization Reforms, Main Report, prepared for the Donor Working Group on Decentralization, pg. 159.

²⁰ Notwithstanding observations of elite capture and even the migration of the underworld into the local government system (for the case of North Sumatra, see Hadiz, V., *Power and Politics in North Sumatra: The Uncompleted Reformasi*; in: Aspinell, E. and Fealy, G., (2003) Op.Cit.119-131).

²¹ Others point out that money politics persists; see for instance Buehler, Michael (2007). *Rise of the clans*, *Inside Indonesia*, 90, Oct-Dec.

²² The two most problematic regions remain Papua and Aceh. The peace accord struck in Aceh is holding, even if some gain made in the 2005 Helsinki MOU have not been entirely translated into subsequent laws and regulations. Papuan insurgency continues at a low level, and could still ignite.

²³ Rachman, Anita (2009). *Regional Autonomy Has 'Failed,'* *The Jakarta Globe*, March 5, obtained March 8, 2009 from <http://www.thejakartaglobe.com/news/article/12045.html>.

²⁴ DPD (2008). *Rekonstruksi Kebijakan Politik Desentralisasi Dan Otonomi Daerah Serta Implementasinya*, Steering Committee, Jakarta, 22 Agustus, halaman 2.

²⁵ USAID-DRSP (2009). Op.Cit.; USAID-DRSP (2006). Decentralization 2006 - Stock Taking on Indonesia's Recent Decentralization Reforms, Main Report, prepared for the Donor Working Group on Decentralization.

²⁶ As compared for instance to Cambodia where the government recently has launched its National Program for Sub-National Democratic Development (2010 – 2019). In Indonesia, several initiatives are underway within the broad field of decentralization (e.g., fiscal decentralization, territorial reform) to develop „grand strategies“ or similar sounding documents, but none sufficiently brings relevant stakeholders or connected topics together to make the effort credible or useful.

²⁷ See for instance ARD (2009). Democratic Decentralization Strategic Assessment: Indonesia, Final Report, prepared for USAID, February.

infrastructure and manufacturing.²⁸ It makes life difficult for its entrepreneurs, ranking below all major economies in the region except the Philippines on 'ease of doing business.'²⁹ However, it would be unfair to attribute all this to the decentralization reforms alone: progress and prospects need to be understood against the backdrop of the overall political transition Indonesia has been experiencing, its role in the regional and global economy, and other factors.

Pointing to the Latin American experience, Crouch notes the democratizing process is marked by unpredictability and uncertainty, as well as the tendency to flip flop between authoritarianism and democratic rule.³⁰ Indonesia has its own history, but it is also experiencing similar stresses to those observed in Latin American transitions from authoritarian to democratic rule. Crouch, Hadiz³¹ and other observers of the Indonesian scene argue that the New Order elite has simply made room for new actors and mechanisms, without dismantling the system in ways that would seriously threaten them.

If past transitions are any guide, the entrenched elite can count on manageable compromises as long as Indonesia does not stagnate or dip economically. Its slow but steady recovery since 1998, with a stumble in 2009 to a meagre 4.5% (by Asian standards),³² would suggest that the political elite has some time but not total comfort as it seeks to consolidate its power in a messy and flawed democratic process. Polling evidence suggests that for the time being the public is more upset with the political actors and parties than the democratic basis of the political system.³³ The most likely scenario for Indonesia is a continuation of the turbulent and inconsistent transition towards a more responsive democracy.

In the above context, decentralization reforms will be messy and not always progressive, depending on the alignment of disparate actors that will not easily be brought together; the executive, DPR, DPD, parties, regional governments, CSOs, and media in particular. Alliances among these actors will be forged on some reforms, but many of these will be expedient, tension-filled, and unable to set out widely supported reform directions. Serious civil service reforms, strong anti-corruption measures, and a firm hand on the creation of new regions are unlikely to be seen, for instance. More policy entrepreneurship is instead likely. Reform initiatives will continue to be lead by agencies that vie for leadership without taking on the full obligation of the required inter-ministerial ownership and institution building necessary to make the reforms workable. The more recent examples are seen in the overwrought and mechanistic planning regulations³⁴ developed by MoHA, and the new but unenforceable public service law formulated by KemPan.³⁵

²⁸ Harvard Kennedy School (2010). From Reformasi to Institutional Transformation: A Strategic Assessment of Indonesia's Prospects for Growth, Equity and Democratic Governance, Ash Center for Democratic Governance and Innovation, Cambridge.

²⁹ IFC (2009). Doing Business in Indonesia 2010, The International Bank for Reconstruction and Development/The World Bank, accessed 1 February 2011 at <http://www.doingbusiness.org/~media/fpdkm/doing%20business/documents/subnationalreports/db10-sub-indonesia.pdf>

³⁰ Crouch, Harold (2010). Op. Cit.

³¹ Hadiz, R. Vedi (2008). Indonesia a Decade After Reformasi: Continuity or Change? Seminar paper, Department of Sociology, National University of Singapore.

³² Aryono, Mufid Ahmad (2010). BPS: Pertumbuhan ekonomi 2009 capai 4,5 persen, accessed 1 February 2011 at <http://www.solopos.com/2010/ekonomi-bisnis/bps-pertumbuhan-ekonomi-2009-capai-45-persen-14399>

³³ USAID-DRSP (2009), Op. Cit. pg. 117.

³⁴ The latest being Ministry of Home Affairs Regulation No. 54/2010 on the Implementation of Government Regulation No. 8/2008 on the Stages, Compilation, Control, and Evaluation of the Implementation of Regional Development Plans.

³⁵ Buehler, Michael (forthcoming). Indonesia's Law On Public Services: Changing State Society Relations Or Continuing Politics As Usual? *Bulletin of Indonesian Economic Studies*.

Development Partners have limited influence at this particular point of the Indonesian policy process, by virtue of the characteristics of this process, the minor financial contribution of the DPs and their commitment to the Paris Declaration principles.

2. German Technical Cooperation in Indonesia's Decentralization Reform Process – Shifting Roles, Moving Targets

German support to decentralization reforms in Indonesia using technical cooperation as its main modality have to be seen against the backdrop of two policy agendas: first, the Indonesian policy agenda on decentralization/multi-level governance as described above, and second, the agenda of international development assistance with the 2005 Paris Declaration on Aid Effectiveness as a main turning point. Already the immediate years following the regime change saw a visible influence of the existing and emerging donor-government framework of interaction³⁶, and an assessment of external support to decentralization reforms in Indonesia will find that even before 2005 major principles of the Paris Declaration³⁷ were influencing the approaches of donor organisations operating in this field, particularly in terms of attaining donor coordination ("harmonization").

German technical cooperation³⁸ with Indonesia dates back to 1958. GTZ's involvement was quite visible in the 1970s, particularly in regional rural development projects like the *Area Development Project* (ADP) in West Pasaman (Sumatra) and the *Transmigration Area Development Program* (TAD) in East Kalimantan. While technical cooperation support in rural development had some local impact, and left a favourable impression among beneficiaries, there was very little vertical and horizontal dissemination and scaling-up, and little long-term sustainability.³⁹ Results of the TC projects had little influence on policymakers in Jakarta. In the case of the TAD, the intensive inputs (TAD was the largest German TC project of its time) and self-contained nature has prompted observers to note, with a mixture of awe and professional opprobrium that only a retrospective view can impart, that the TAD was essentially a "government within a government."

Recognizing the weaknesses of an isolated regional development approach that had virtually no possibilities to influence the national policy framework for local governance, German aid officials explored options for engaging in a project that would focus on national and systemic change. The opening for German support in this area was made possible by discussions held between German aid officials and Indonesian senior government officials on the possibility of merging three individual project proposals from the Government's 1998 "Blue

³⁶ This was the Consultative Group on Indonesia (CGI) which after 1999 also made use of several thematic joint government-donor working groups, Decentralization being one of them.

³⁷ Ownership, Alignment, Harmonization, Management for Results, Mutual Accountability

³⁸ We emphasise here the conceptual distinction between „technical assistance“ (a term used for instance by the multilateral lending agencies like the World Bank and the regional development banks) and „technical cooperation“: while TA is meant mainly to ensure the effectiveness and sustainability of lending operations (thus being short-term, on-top, conditional to the needs of the financial cooperation), TC in the understanding of the German Federal Ministry of Economic Cooperation and Development (BMZ) resembles very closely the current understanding of „capacity development“: to enhance the capacity of individuals and organisations in developing countries by transferring and mobilising know-how and competences, or by improving the preconditions for utilizing such know-how and competences (see: BMZ (1996) Entwicklungspolitische Konzeption, BMZ Aktuell No. 72, Ziffer 5). In the understanding of BMZ, TC was usually of medium/long-term duration, oriented towards the needs of the partner organisation(s), and building upon the preconditions that could be found in these partner organisation(s) (ibid).

³⁹ See for instance (on village planning) the field observations from Wentzel, Sondra (1994). Comparative Assessment of Experiences with Participatory Village Planning in the Context of GTZ-supported projects in Indonesia, SfDM.

Book" into one that would have decentralization as its integrating theme.⁴⁰ After some delay and a one-year exploratory phase, this resulted in BMZ commissioning the first phase of technical cooperation in this area (called "Support for Decentralization Measures"/SfDM) in mid-1993.

Anchored with the Ministry of Home Affairs, and situated in the heart of its compound in Jakarta, SfDM was ambitious in its thematic coverage, but flexible and exploratory. From its early years, German TC was characterized by its long term perspective, continuity in personnel, and efforts to glean lessons from regional experiments which could be used as input for national policy making. SfDM worked consistently with a multi-level approach involving related TC projects in the regions. The TC advisory team inserted itself in a national-level support role when the general political climate for such support was not very hospitable, and when such TC approach was rather rare in the context of external development assistance.

In its first three years, SfDM explored potentials and entry points for deepening the decentralization discourse in the political and administrative system; overall however, it worked more on the margin of the issues and made little progress in setting the decentralization agenda. In 1994, MenPan's invitation to the German side to get involved in the monitoring and evaluation of the district autonomy pilot project (PPOD) gave the cooperation project a renewed sense of purpose, and allowed it to build trust and confidence within the central government administration beyond the Ministry of Home Affairs. Still, essentially German TC continued to „roam the desert“, and towards the end of the 1990s came close to pulling out entirely due to lack of progress. The 1997 SfDM discussion paper on decentralization in Indonesia⁴¹ - the preparation of which had not been requested by the partners but was an initiative of the TC advisory team - was envisaged as a last effort to influence the policy debate – and became extremely useful when the 1998 upheaval changed the rules of the game.

Towards the end of the 1990s and reflecting on the first years of TC support to Indonesia's decentralization agenda, German TC actors had come up with some conclusions⁴² on technical cooperation in this field, which can be summarized as follows:

- Well accepted principles of development cooperation like counterpart participation and ownership may actually hinder effective assistance as partners might not genuinely be interested in pushing the decentralization agenda, and might use a technical cooperation project for other purposes
- External advisors to decentralization reforms must see themselves as political actors in a complex political environment
- Support to decentralization reforms need a multi-level approach where different actors use different instruments at different levels to support agreed structural changes
- Decentralization reforms need urgently donor/financing coordination and complementarity in the pursuit of reforms.

How would a critical assessment of these conclusions look like more than ten years later?

⁴⁰ These were: Strengthening of Regional Development Administration; Integrated Rural Settlement Infrastructure Development; and Improvement of Institutional and Village Administration Capability Through Improving Village Resources/Income.

⁴¹ GTZ-SfDM (1997). Discussion Paper On Key Issues In Decentralization And Regional Autonomy In Indonesia, GTZ Advisory Team, April 4, Jakarta.

⁴² Beier, Ch. and Stockmayer, A. (1999). Schuster, bleib bei deinen Leisten. Eignet sich die technische Zusammenarbeit zur Unterstützung der Dezentralisierungsreformen? WeltTrends Nr. 25, Winter 1999/2000, 75-97; Beier, Ch. and Ferrazzi, G. (1999). The Role of Technical Assistance in Supporting Decentralization Reform: Experiences from Indonesia; Regional Development Dialogue 20(2), 195-219.

The first stipulation – that counterpart participation and ownership may actually hinder effective external assistance aiming at introducing change - was already heretical in the discourse on development assistance in the late 1990s, and will be regarded even more so in the context of the 2005 Paris Declaration (we will come back to this point in Chapter 4). It clashed with the general understanding within German TC at that time, when a TC project was seen essentially as a partner-driven process to which the external agency provided „only“ an input. Subsequent changes in German TC policies saw a shift to more outcome-oriented forms of project planning⁴³ and thus allowed TC advisors to become more „aggressive“ in pursuing joint agendas whenever they felt that partners were deviating from the agreed project objective(s). The TC project at the centre of German support to Indonesia's decentralization reforms (SfDM) experienced a constant balancing act between meeting partner demands, keeping track of its agreed objectives as a TC project with reporting and accountability requirements towards the commissioning principal (BMZ), and the work requirements as derived from the professional needs analysis of SfDM's advisory staff. Joint project planning and the formulation of annual operational plans became less rigid in the post-1998 period, and were also done in a less detailed manner, allowing the TC team to explore wider corridors of objectives and interventions. Still, „ownership“ and „participation“ did remain central elements of the technical cooperation relationship; in its own way, the main partner organisation (MoHA) made sure that it had sufficient control over the project's activities.⁴⁴

What then about a „political role“ of the external advisors? The term „political“ here was never understood to relate to party politics. It was rather meant to describe that the technical cooperation advisor needs to take a stand, clarify his/her position, and challenge partner positions on the basis of professional analysis, empirical evidence and good practices elsewhere. Thus, the advisor becomes more a conceptual sparring partner of the government official, especially so in a field of political and institutional reforms where reform trajectories are less clear-cut and therefore open to debate.⁴⁵ In this regard, the post-1999 period saw a more political role of TC advisors, enabled in part by the overall opening of the public debate. Moreover, in the years 1999-2001 the TC staff worked very closely with political decision-makers and senior bureaucrats, less with technical staff of the government agencies concerned, thus finding themselves in a much more politicized environment than before. However, TC remained tied to the administrative domain only, as MoHA had made it very clear that it would not tolerate the provision of advisory services, for instance, to the national parliament and its standing committees (which for a while had become an influential player in determining the decentralization agenda).

The third stipulation - request for a multi-level approach - has indeed become a trademark of German TC supporting decentralization reforms, not only in Indonesia but worldwide⁴⁶. However, in Indonesia operational synergies expected from multi-level interventions were hard to achieve. Until 2000, SfDM worked loosely with a group of rural development-oriented

⁴³ We refer here to the changes of the GTZ-BMZ contractual arrangements introduced in late 2002 which focused on the definition of expected results, rather than on inputs and activities. This so-called „AURA format“ gave much more operational flexibility to GTZ as technical implementation organisation. While the former understanding placed the responsibility for achieving a project's objective exclusively at the partner organisation, the latter understanding gave the TC organisation joint responsibility, thus forcing its hand if the project's impact chain was in danger.

⁴⁴ The one exception might be the first year of the Wahid presidency (1999/2000) when the establishment of the State Ministry for Regional Autonomy under Ryas Rasyd created a situation where SfDM was formally attached to MoHA, but the functional responsibility for decentralization was with the State Ministry; nearly all advisory inputs were requested by and channelled to the State Ministry.

⁴⁵ Seen in this perspective, a more political advisory role is also reflected in the Paris Declaration's principle of mutual accountability which requires country and development partners to clarify positions and expectations in order to have a sound basis for a fruitful cooperation.

⁴⁶ As evidenced, for instance, by the centrality of this theme in the GTZ Summer School 2010 - Second Generation Decentralization Reforms: Strengthening Intergovernmental Relations to Build Resilient States, 13th - 17th September, Berlin and Potsdam.

projects implementing activities in the field. In 2000, its own regional component⁴⁷ was added to the project; the idea being that operating a TC project at all levels (national, provincial, district, village) will allow a better upward and downward dissemination of experiences, needs, policies and requirements. The so-called „elevator principle“ however remained a lofty concept as in most cases the elevator remained empty of content and passengers, with the TC teams (and their Indonesian partners) at national and sub-national level working on if not entirely different though only loosely related subject matters. In 2003, the regional component was disconnected from SfDM proper to become an independent TC operation. Subsequent project concepts saw an integration of national-level and regional level operations under one project umbrella.⁴⁸

Finally, the reflection turns to the issue of donor and financing cooperation and the complementarity of development aid instruments. During its initial years, SfDM had slowly become a kind of information depository and clearing house for other donor agencies engaging in rural development/local government issues. This role was significantly strengthened when the “big bang” decentralization happened and the SfDM team found itself as the only externally supported advisory team working inside MoHA. The working areas and instruments of the TC project were subsequently adjusted, with the project website and a regular decentralization newsletter becoming the main means of information sharing and knowledge management, and with donor coordination becoming a major work stream of the advisory team. SfDM was instrumental in institutionalising regular meetings of donor agencies working in this field, acted as chair of this group and co-chair of the Joint Working Group on Decentralization under the Consultative Group on Indonesia until 2005; the Joint Working Group saw regular meetings between the donor community and the government (meaning: the four main government agencies having a stake in decentralization: MoHA, MoF, BAPPENAs and MenPAN). However, exercising multiple roles (like being an advisor to the main player MoHA, and being a chair of the donor group, and thus negotiating with MoHA as „donor“) became increasingly difficult and towards the end of 2004 resulted in the German TC team leader being temporarily shown the door by the Secretary-General of the MoHA. To a significant extent, by 2000 donor coordination had become an integral part of the external support to Indonesia’s decentralization agenda, not only in terms of sharing information, but also in terms of „co-production“.⁴⁹ Serious efforts to establish a more robust framework for cooperation was well under way by early 2004 (see Chapter 3).

What then about the linking of technical and financial cooperation? On the German side, this never became an issue as the German financial cooperation agency (KfW) did not get involved in supporting decentralization in any way. Other lending agencies (especially ADB and World Bank) played a more constructive role through TA, with diagnostic studies in particular from the World Bank (e.g., civil service issues, monitoring systems), and fiscal

⁴⁷ Called ProdaNT. The component operated in four districts of two Eastern provinces of Indonesia (NTT and NTB) which were characterized by a high level of poverty.

⁴⁸ The post-2000 period experienced a proliferation of German technical cooperation in the decentralization/local governance field (see Table 3): a project on good governance started in 2001 and saw another spin-off in 2003 when the work stream on population administration became a TC project in its own right. Also in 2000, a project on urban development issues (which was housed in another directorate-general of MoHA), began operating. Coordination of issues, advisory approaches and ultimately purposes of these operations became difficult for GTZ as well as for GTZ’s commissioning principal, the BMZ.

⁴⁹ See the capacity building needs assessment study (2000/2001) conducted jointly by GTZ, USAID, ADB and CIDA, as reported in GTZ/USAID (2001). Capacity Building for Local Governance: A framework for government action and donor support, prepared for the Ministry of Home Affairs and Regional Autonomy and Bappenas, Jakarta, January. The CBNA study provided important inputs to subsequent technical cooperation and lending programmes, and helped to formulate the National Strategy on Capacity Building endorsed in 2001. See also the minimum service standards initiative conducted jointly by GTZ, ADB and USAID in 2003/04, as reported in GTZ-SfDM (2005). Providing Policy Advice for Indonesian Decentralisation: The case of the Model Building Exercise for the Development of Obligatory Functions and Minimum Service Standard, SfDM Report 2005-1, February. The model-building exercise contributed to a more incisive concept for the standards and a robust government regulation issued in 2005.

decentralization advice from ADB. These tended to be one-off efforts, of short duration and poorly integrated with other relevant efforts. Lending operations that sought to promote wide-ranging decentralization reforms also have been attempted, particularly during the 2000-2010 decade. While these also were not properly „owned“ by the government, and certainly not well coordinated among donors, they did move forward some important elements of the still unfinished decentralization agenda.⁵⁰ Overall, however, a comprehensive linking of TC and FC with their respective comparative advantages did not happen in Indonesia, overall or within German assistance. In hindsight, one can argue that a chance for a much deeper integration of technical and financial cooperation was missed in early 2001, when the MoHA decided not to go public with some preliminary calculations on the resource envelope needed for the roll-out of a comprehensive capacity building strategy in the context of the decentralization reforms.⁵¹ The absence of such indication from the government left the allocation of external support at the mercy of individual organisation's interests and bilateral negotiation strategies. Here as in other aspects, the absence of a coherent and time-bound government strategy-cum-action plan did not allow the development aid instruments to realise potential synergies.

Overall, German TC through its SfDM project was instrumental not only in providing crucial conceptual inputs to policy decisions of the Indonesian side, but also in steering the support activities of other development partners by providing in-depth (and inside) information, and by managing channels of interaction between the government and the donor community. The above-mentioned differences between „TC“ and „TA“ in our view played a major beneficial role here: the long-term commitment of the TC, continuity of advisory staff with intricate knowledge about institutional channels of communication and interaction within the Indonesian counterpart agencies were valuable assets.

The comparative value of German TC, in contrast to the typical TA of most other DPs, is rooted in the breadth of the engagement made possible by using different TC modes of delivery: *Advisory Services, Networking Services and Dialogue Events, Capacity Development and Management and Logistical Services*.⁵² In the case of SfDM, providing *advisory services* was certainly the dominant mode of delivery, necessitated by the lack of conceptual and up-to-date know-how on decentralization of government officials. *Capacity development* was less pronounced at the national level (perhaps with the exception of working with local government associations) but played a major role in the interventions at the sub-national level (like in the eastern provinces NTB and NTT, East Kalimantan and Central Java). There have been significant examples of scaling-up of project approaches both horizontally as well as vertically.⁵³ *Networking Services and Dialogue Events* became more significant post-2005 when TC operations attempted to strengthen so-called „intermediary organisations“ in Indonesia which – so the expectations- would take over policy advice functions to the Government in the years to come. This included networks of associations of local governments and local councils, networks of NGOs, networks

⁵⁰ Examples include new Government Regulations on regional government performance assessment and regional organisational structures, the removal of the „hold harmless“ clause of the previous DAU formula which had favoured the better-off regions, and the increase of the DAK for key social service sectors like health and education. ADB's *Second Local Government Finance and Governance Reform Program* (INO 38264-01) played an important role in pushing these reforms.

⁵¹ The Capacity Building Needs Assessment Study, conducted by GTZ and USAID (with additional support from CIDA and ADB) had come up with concrete proposals of needed capacity building interventions, including cost estimates. At that time, the lending institutions were eagerly waiting for financial estimates as they needed figures for their own internal planning processes.

⁵² GTZ (2008). Overview of GTZ's Modes of Delivery – A Guiding Framework. Eschborn.

⁵³ The capacity-building needs assessment methodology developed under SfDM has been used in several districts and municipalities in East Kalimantan, and in all districts of Aceh (the latter under EU-funded operations put in place after the 2004 Tsunami and the 2005 Helsinki peace agreement between the GAM and the Indonesian Government signed in August 2005). It is currently being integrated into national modules by the National Agency for State Administration (LAN).

between government and non-governmental organizations, and efforts to establish inter-local government cooperation.

In the following, we will analyse the swings of TC provided under SfDM (and its successor projects) as the decentralization agenda evolved. These swings deal with the position of technical cooperation advisors vis-a-vis national policy makers, the modes of delivery applied by German TC, and the impact of policy changes on the TC portfolio in this field.

a) 1992 – 1996: Getting a foot in the door: from facilitation to substantive advice

In the early 1990's, governance and capacity development issues were beginning to come to the fore of international development aid. The shift was being made by the German Government and other donors from an input orientation (funds, technical expertise, and pre-determined models) to thinking about institutional dimensions and the output/outcome dimensions of external aid. At this stage, the political dimension of decentralization and local government reforms were not understood, not acknowledged, or cautiously soft-pedalled in official communication. This was the case for all DPs in Indonesia, and in many other countries. Discussions of corruption were out of bounds. In Indonesia, there was no connection of German assistance to the national legislature or even much of a connection to regional legislatures. Political parties were not seen as a valid target group. Engagement with CSOs was minimal in advocacy work, and any CSOs involved in TC needed to be well accepted by the partner country's bureaucracy.

The issue of country ownership was acknowledged but not highlighted as it is in the current discourse; for most donors, TC was essentially technical assistance (TA) that needed to be "accepted" by the receiving partner.⁵⁴ Sufficient incentives needed to be built into the offering to make it attractive to the partners. The possibility of a larger dialogue, involving representatives of the donors (rather than contracted TA advisors), and involving all stakeholders in a meaningful dialogue, was still not very visible on the donor radar.

Regarding German TC support to decentralization reforms in Indonesia, the flagship project SfDM already ran against the general TC current when it was introduced in 1992. It did not emphasize substantive, pre-determined external expertise or target specific problems or solutions. Rather, it invited middle-level and senior officials of key government units, and stakeholders found acceptable to them, to sit together to identify key problems in furthering decentralization and to find avenues for making progress. From this analysis, cooperation was agreed on specific activities. These activities generally included national and field level problem analysis, learning events, and joint policy development efforts.

The participatory TC approach described above had been developed in the 1980's, and was an obligatory part of GTZ's engagement with counterparts. This approach won SfDM a certain level of acceptance. However, the substantive work fields agreed upon during these early years of cooperation were rather peripheral. It appeared that meaty reform issues were difficult to target when the GTZ support was largely facilitative. Officials may agree on the underlying problems, but the agreed action would fall short of a frontal attack on these problems. As the participatory process itself was quite intensive and demanding but the resulting substance of cooperation remained peripheral to decentralization reform (e.g. village and regional planning processes), SfDM found itself less able to generate enthusiasm over time.

It is telling that SfDM was not able to bring the national actors together on the most significant decentralization initiative of the Soeharto era, the district pilot program (PPOD in its Indonesian acronym). In fact, SfDM staff, and some national agencies themselves, were informed after the design was already decided by MenPan. By virtue of having toiled in good

⁵⁴ It has to be acknowledged, that German TC differed here conceptually – see FN 38.

faith on the periphery of reform, MenPan drew SfDM into the belated design of the monitoring and evaluation system for the PPOD. There SfDM acquitted itself well, curbing the voluminous instruments and their remote delivery (a MoHA favoured approach) in favour of a more interactive, analytical, and responsive approach.⁵⁵ At this point however, SfDM had shifted gears from a purely facilitative role to a combination of facilitation and providing technical inputs based on advisors' views of what were relevant good practices.

b) 1997/1998: Irritating a closed system and breaking the rules

The PPOD turned out to be a limited reform, and proponents of decentralization were quick to see this. Lessons had been learned already by 1996 that could have been used to launch a more sound national scale effort. This would have needed a coherent vision from key national agencies on what is required to make decentralization meaningful and workable. Perhaps that was PPOD's biggest lesson, but not one that was taken up. Instead, the central government continued to examine the "capacities" of regional government to discern just what kind and degree of decentralization might be suitable – a stalling tactic ultimately.⁵⁶

At this stage, the German TC advisory team was periodically reflecting on the lack of progress, and on several occasions the discussion turned to the possibility of having to retreat from the cooperation. Efforts to expand the reform discussion did not seem promising. As a last effort to become more relevant and instigate a more relevant discussion and action within government, the advisory staff took a large risk and in 1997 initiated what was essentially an unsolicited discussion paper on decentralization reform.⁵⁷ This was descriptive and prescriptive (i.e., offering options). It was comprehensive, deep, hatched through intensive deliberations among the advisory staff, and translated into Indonesian language with great care.⁵⁸

Some officials in MoHA were affronted by this initiative that aimed to the heart of reform, with its sharp analysis and bold directions. It seemed for a while that the effort had backfired, depleting the hard won capital built up while on the edges of reform. Added to the discussion paper were other instances where SfDM inputs had been "irritating,"⁵⁹ as in giving room to regional stakeholders to put forward in direct ways their negative views of PPOD and reform in general. The central government system until now had largely remained closed and had assimilated the regional inputs in ways that reinforced its own logic and maintained its tunnel vision.

Fortunately, a few officials appreciated the quality of the discussion paper and previous input – hitherto there had not been such an incisive review of the situation and prospects for decentralization reform. With its rather unilateral and non-participatory approach to the discussion paper, SfDM had broken the rules of the prevailing TC mode. If SfDM had initially been on the forward edge of TC practice with its inclusive approach, it had now stepped over the edge. Yet it was this effort that raised its profile and signalled that the project was a rich resource of ideas and advice. It positioned the project to be a major contributor to real reform when the Soeharto regime crumbled in rapid fashion in 1998.

c) 1999-2005: In the inner sanctum and then out again

The tumultuous period from 1998-2000 were heady days for proponents of decentralization, and for SfDM. The 1999 laws had drawn the well positioned SfDM into the inner sanctum of policy development. It could be said that the SfDM advisors were the eighth member of the *Tim Tujuh* that fashioned the laws, and they stayed close to the larger cast of national actors

⁵⁵ Ferrazzi, G. & Beier, Ch. (1997). Op. Cit.

⁵⁶ Beier, Ch. and Ferrazzi, G. (1998). Op. Cit.

⁵⁷ A fig leaf cover of sort was fashioned by linking this to a vague request from the Steering Committee of SfDM „to prepare some preliminary thoughts on basic decentralization issues“.

⁵⁸ GTZ (1997). Op. Cit.

⁵⁹ We mean "irritation" here in the sense Niklas Luhman would use the term.

that had to be involved in the design of the key regulations that followed, particularly the regulation on functional assignment (GR 25/2000).

Of course, the donor community lore has tended to overestimate the influence of the SfDM advisors, but there is no doubt that the emphasis of SfDM at this juncture was on providing direct technical expertise rather than facilitation of processes. In fact, in contrast to its participatory beginning, SfDM contributed to laws and other legal instruments that were prepared in a rushed and very closed fashion, shutting out key stakeholders like regional governments, universities and CSOs – and even other donors that had some regional experience. This approach, with its unintended but seriously undermining signals, did not mean that GTZ advice held sway. GTZ advisers were still relatively new to the substance of decentralization. Moreover, higher level officials had their say as well, and finally the newly resurgent national legislature (DPR) made its own last minute changes. The influence of the Ministry of Finance on the twin law on central-regional fiscal balance (Law 25/1999) was dominant – accounting for the poor connection with the „mother“ regional government Law 22/1999. Even so, some progressive elements in the 1999 do bear the prints of GTZ advice, and perhaps so do a few of the poorly thought-out elements.

Following the issuing of the laws, SfDM reached out to sector TC projects (like in the forestry sector) seeking support in advocating an assignment of sector functions that was in keeping with the laws. Likewise, SfDM worked assiduously with the Coordinating Ministry for Development Supervision and Administrative Reform (*Menko Wasbangpan*), and later MenPan and MoHA to raise awareness and readiness in all of the key sectoral ministries as they prepared their input for the new assignment of functions. In this work, it did appear to some that on occasion German TC staff appeared to be speaking on behalf of the government.

SfDM also supported MoHA in its effort to get regional government associations off the ground, and here again the modest role of the SfDM team needs to be noted, as the government insisted on a fragmented approach, where ultimately six unconnected (and thus weak) associations were born.

As the implementing decentralization regulations were prepared, and government haste subsided under the Gus Dur and then Megawati Soekarnoputri presidencies, the receding threat of national disintegration and the slow but steady return to economic growth meant that the national government felt more confident to regulate on its own terms. Ironically, as more development partners joined in to support decentralization reforms, the cooler the government was becoming to such support, and the longer the distance it maintained to donors. The 2004 revision of the twin laws was done behind doors without involving external advisors and development partner. SfDM was caught up in this trend and found itself again on the fringes of the policy making process. It nonetheless was able to make some significant contributions in the 2000-2005 periods, particularly in developing a capacity building (CB) methodology (applied in East Kalimantan and later in EU-funded projects in Aceh⁶⁰) and the clarification of minimum service standards. SfDM worked well with other donors, particularly USAID, in the CB methodology development, a facilitated self-assessment tool that has been well received by the central government⁶¹, regional governments and other donors.

Working more closely with central government on minimum service standards (MSS) has been more problematic, in part because of the *sometimes in - sometimes out* placement of

⁶⁰ Particularly the Aceh Local Governance Assistance Project II (ALGAP II 2007-2009) and Aceh Governance Stabilization Initiative (AGSI- 2009-2010).

⁶¹ The central government has created a national policy on capacity building for regional government that draws heavily on this original effort.

the project in relation to reform processes. The conceptual development of MSS took several years, with regionally based consultations, model-building exercises and much “socialization” in the face of divergent views on how far the central government should go in setting standards for regional government.⁶² SfDM worked closely with ADB, USAID and other donors to give support to a coherent and cross-sectoral approach. By 2005, a robust Government Regulation had been passed on MSS that set the stage for a more institutional and feasible approach to the difficult task of guiding regional government to achieve certain standards of performance in the quality/outreach of basic service delivery.

d) 2005 – 2010 and beyond: Adapting strategies

By 2005, after being on the outside, then the inside, and then somewhere in-between, it became clear to German TC actors that it while it was important to continue support to the decentralization reforms, the approach to the support would have to be different. The key elements given new energy in the reconfigured post-2005 German technical cooperation (by means of two main projects, ASSD and GLG) were the multi-level governance approach and the “elevator principle,” a tighter programmatic alignment among projects, a strategy for providing policy advice through intermediaries; and widening the national list of partners to include the Ministry of Finance and Bappenas.

The “elevator principle” would mean recalibrating the attention given to all three levels (central, provincial and district/city) in policy advice. The coordination and supervision role of the province/governor with respect to lower levels would come to the fore, lightening the load for the central government. The “elevator principle” meant that GTZ would facilitate this recalibration and have a presence alongside all three levels to facilitate the implementation of national frameworks, and encourage feedback to the centre from regional/local experiences. While initially the principle was often misunderstood as TC staff needing to communicate vertically within its own project or multi-project structures, over time the understanding became that GTZ would work with the Indonesian actors themselves so that they could operate the elevator successfully. In practice, the elevator principle did not work very well; this was partly due to the demand-oriented approach of GLG (meaning that a variety of topics and issues were covered emerging from the requirements of the five pilot provinces; these did not necessarily match with the working priorities of ASSD).⁶³ While ASSD and GLG shared a common impact chain (like objective and indicators at project level), overall the fragmentation of German TC continued, as projects “are more driven by the dynamics in their respective institutional environment and not steered as complementary contributions to a coherent set of objectives”.⁶⁴

A more fundamental adaptation concerned the increasingly crowded policy advisory scene, and the diminishing access gained by German TC advisors to significant national policy-makers. Upon reflection, the German TC actors decided that Indonesia’s reform process was at the stage where further reform inputs had to come primarily from the analysis, deliberations and political action of Indonesian actors. German TC would return to a more facilitative role, and technical expertise in decentralization would be used to build up the capacity of the “intermediaries” to fully play their role. These intermediaries would be primarily universities, CSOs, and regional government associations. To do otherwise would be to alarm the more nationalistic elements of the state and to delay or suppress the demand for advice from domestic sources. While conceptually committed to this approach, the TC effort in Indonesia after 2005 in practice never took a full run at it. Advisors realized that it would take considerable investment to bring the intermediaries up to the needed level of

⁶² See for instance Ferrazzi, G. (2005). Obligatory Functions and Minimum Service Standards for Indonesian Regional Government: Searching for a Model, *Public Administration and Development*, 25 (3): 227-238; Ferrazzi, G. (2005). Providing Policy Advice for Indonesian Decentralisation - The case of the Model Building Exercise for the Development of Obligatory Functions and Minimum Service Standards, SfDM Report 2005-1, February.

⁶³ GTZ (2009), Progress Review Report “Decentralization and Good Governance Projects”. June.

⁶⁴ Op.Cit. p. 19

capacity. Most candidate intermediaries bore the scars of the Soeharto period; they were government captured, depoliticized, poorly networked, and analytically unsophisticated. As this suggested intermediary development strategy was coming near the 15 year mark of decentralization support, it seems that German TC was not willing to make the case again for a long term perspective (and the resource envelope needed for it) that could make the strategy work. Instead, some CSO/University staff was hired as advisors of the TC – thereby benefitting some nationals, but not developing any institutional capacity (and sometimes undermining it).⁶⁵ Until now, German TC has not been able to build up the kind of institutional twinning and cooperation agreements between Indonesian counterpart institutions and relevant institutions elsewhere that would provide a sustainable source of supply of policy advice for the Indonesian counterparts.

Post-2010, German TC in the governance field (including decentralization support) is being integrated under the roof of one programme with different TC modules. Having the four main government actors (MoHA, MoF, BAPPENAS, KemPan) as the official partners of the programme could either become a major opportunity for coordinated reform steps – or result in the total paralysation of the cooperation because of lack of the will to cooperate. In the ongoing deliberations of yet another round of revising the two laws, German TC is again on the fringes. It is organizationally well situated (straddling the key national organizations involved in decentralization policy) but it is struggling to find substantive entry points. Its resources are limited, and its time horizon is short (to 2012, possibly to 2014). It is considering to vacate the “framework” arena, and instead capitalize on the existing German TC interventions in selected service sectors, and to pursue a joint effort in making decentralization work in these sectors.

3. Technical Cooperation and the Architecture of Development Aid - Reflections on Successes and Failures in the Case of Indonesia

The role of development partners in supporting decentralization reforms in Indonesia

As outlined above, most bilateral and multilateral development partners remained at the margins of decentralization reforms until the Big Bang. Development partners had for years sought to bring about decentralization through regionally-based „policy experiments“ but had ultimately only proved, over and over, that if an externally funded enclave was established, decentralized practices could be introduced – and would persist only until such time as the external support ended: then the system would spring back to its usual shape and national frameworks would remain unchanged.

With the „Big Bang“, development partners became very active in this policy field at national and regional level,⁶⁶ and made substantial efforts to support decentralization reforms with a common voice. There have been regular donor meetings (until 2005 chaired by SfDM), and regular joint interactions with the respective government agencies (especially MoHA, MoF, BAPPENAS) between 2000 and 2005. Joint actions plans had been developed, and in several cases several donors had pooled resources to implement support activities resulting in joint products.⁶⁷ The existing platform for interaction between the Government and external development partners, the Consultative Group on Indonesia (CGI), also provided the framework for government-donor interaction on decentralization issues. Preceding the intentions of the Paris Declaration, donor-government interaction was institutionalized in 2001 by the creation of a Joint Working Group on Decentralization (JWGD) under the CGI, which formulated and monitored joint action plans. In 2004, plans were under way to create a

⁶⁵ See the discussion on CSOs in USAID-DRSP (2009). Op cited, pgs. 156-157.

⁶⁶ GTZ and USAID (2000). Overview of Donor Supported Activities on Decentralization and Local Government Capacity Strengthening, SfDM and Clean Urban, 18 October.

⁶⁷ See FN 49.

permanent donor coordination secretariat.⁶⁸ The main driver for this mechanism was the realization that “poor donor coordination has at a minimum created confusion at the local level and at worst has lead projects to work at cross-purposes to each other.”⁶⁹

Derailing these efforts was the unexpected birth -in early 2005- of the *Decentralization Support Facility* (DSF), introduced by DFID as the main funder and structured as a World Bank-operated Trust Fund. DSF was initially anchored with BAPPENAS as its governmental midwife, leaving the MoHA out in the cold. A proper cross-agency approach involving MoHA was not seen until a Memorandum of Understanding was signed in November 2007. Under pressure not to be out of step with this “Paris Declaration” experiment, other donors had joined in some fashion since 2006, though often half-heartedly. Despite some of its ambitious announcements, the DSF acted essentially as another “donor”, further complicating the crowded scene and confusing all concerned in terms of which platform (JWGD or the DSF) should serve as the means to bring the GoI and donors together. Later, the GoI has used its leadership to apportion the DSF funds between its government members, but without conducting any meaningful dialogue on government reform directions or how donors can effectively align. The work programs of DSF that were undertaken through national execution have been slow to disburse, and in some cases GoI institutions have returned the implementation responsibility to the DSF staff itself. As for the JWGD, it has not been active since 2005 and only a donor working group remained (chaired first by CIDA and later by AusAID). A group of so-called “like-minded donors” has emerged as a loose network on monitoring and evaluation, involving CIDA, AusAID, Germany (GIZ) and USAID⁷⁰; their interaction as a group with government is occasional at best. Coordinated and joint Government-donor interaction remains infrequent (as compared to the 2000-2005 periods) and fragmented; it is mainly based on perceived institutional benefits, and individual (and sometimes institutional) contacts. Moreover, neither coordination platform (JWGD or DSF) has made much room for regional government associations and civil society. They remain on the periphery of the government-development partner exchange (on funding, and the few instance of policy discussion).

At the end of the day however, it must be acknowledged that the GoI itself is not willing or able to bring about a coherent policy and implementation framework that allows alignment of external support. It has pushed for a *Jakarta Commitment* in 2008, but it is hard to shake the feeling that BAPPENAS in particular is mainly interested in cherry-picking the aid effectiveness principles, particularly the principle of ownership. As for other ministries, ad hoc and isolated (institution-focused) arrangements play to their unreformed interests. In short, there is more room to work well together on the development partner side than there is in aligning to government programmes or in focusing on joint results and mutual accountability.

Even if the donors had been more compact, and they were at times prior to the DSF, the JWGD’s demise and subsequent interactions demonstrate that Indonesia has not committed itself to a “whole of government” approach to coordinating donors, as might be expected from the application of Paris Declaration principles. Given the small role donors play in the financing of Indonesia’s development today, the rising sense of middle-income nation that is emerging, and the advantages to be gained by national organizations in avoiding policy coherence, it is unlikely that development partners will see GoI policy on decentralization and local governance reforms that would facilitate alignment, or a serious effort from the GoI to coordinate external support. If donors do find some ways to coordinate among themselves, this will likely be tolerated at best.

4. Conclusions

⁶⁸ Janssen, Guy (2004). *Development of a Proposal of Options for Enhanced Donor Coordination of Decentralization Programs*, for The Mini-Working Group on Donor Coordination of the Donor Working Group on Decentralization, 15 October.

⁶⁹ Ibid, pg. 1.

⁷⁰ The focus here is on harmonizing approaches for monitoring and evaluation.

A decade after the Big Bang, Indonesia's decentralization reform trajectory remains hazy and unpredictable, with little political will to coordinate and harmonize approaches between actors at the national level. One might call out "*Houston, we have a problem*" - but there is no Houston to talk to. Regional governments, academia, civil society organizations and others have not yet found a way to significantly influence national policy making. The rebounding bureaucracy and opaque political alignments rule the day. Despite all the rhetoric and the 2001 constitutional changes, the concept of regional autonomy is poorly defined and has yet to find its way into the social contract that governs Indonesia. Overall, the decentralized system that emerged from the 1999 Big Bang is unable to learn from its experiences, despite (or because of) the multitude of monitoring, evaluation and performance assessment systems that are overcomplicated and overlapping without producing any meaningful results.

What does this mean for development cooperation in general and technical cooperation in particular? Going back to the five main principles of the Paris Declaration (and keeping in mind that overall the role and influence of development cooperation will continue to decline in Indonesia), the following conclusions can be drawn:

On the issue of ownership

The experience of the German TC project SfDM shows that this is a valid but at the same time problematic concept, and that the partnership stance taken by development partners has to be context-dependent, reflecting the nature and interests of the partner. German development cooperation chose to enter the decentralization scene when the GoI was not giving much room or properly reflecting stakeholder views and interests, and was sometimes- for good reason- pushing the agenda without waiting for the partner to catch up. In Indonesia, the question "ownership by whom?" will result in a multitude of answers as there are multiple owners of differing decentralization agendas – some of them convincing, some of them dubious. Each development partner supporting decentralization efforts in Indonesia of course has one or more partner organizations to work with, but the lack of a coordinated decentralization policy means that partner agendas (and the "aligned" agendas of their development partners) remain fragmented and often unconnected. There is no joint government ownership of the decentralization reform process (least of all a concept of ownership that brings in the regional governments as legitimate stakeholders!), meaning there cannot be a joined ownership of development partners' support to decentralization.

On Alignment

As a consequence, alignment remains a lofty but unrealistic concept that only works at the institutional level where development partners can align to the programmes of MoF, MoHA, BAPPENAS, or others. Unlike other countries engaging in major decentralization reform processes, Indonesia has repeatedly missed the chance to create synergies from a joint, comprehensive and integrated policy programme on decentralization reforms. This has nothing to do with the decentralization topic as such but is grounded in the incentive systems, working patterns, and patrimonial and rent-seeking cultures of Indonesia's bureaucracy which is extremely reluctant to look beyond its institutional boundaries and regards coordination/cooperation as a zero-sum adventure best to be avoided. This can change only in the long-term, as societal pressure for effective government administration and service delivery continues to increase and makes itself felt via elections, public complaints systems, a functioning judicial system, an open press and a vibrant civil society that interacts forcefully with the bureaucracy.

On Harmonization

The history of donor coordination on decentralization issues in Indonesia has stories of successes and failures, each with individual, institutional and national interests coming into play. Still, harmonization in the sense of creating interlinked support initiatives that despite the lack of a comprehensive government programme still sustain a joint long-term

perspective on decentralization reform is a feasible option. A closer linking of financial and technical cooperation can be achieved, joint support to effective M&E systems, strengthening of decentralization-related policy networks and organized interest groups in the civil society domain, creating learning opportunities for governmental and non-governmental actors are themes where development partners themselves can create synergies without waiting for government partners to catch up and lead the way.

On Management for Results

While this is a valid concept, in the Indonesian context it has worked less on a sector-wide level but rather at a programme level (e.g. lending activities of the IFIs that were linked with policy matrices).⁷¹ In the practice of development aid, the management for results principle often leads to sophisticated and complex results chains, with multiple indicators and the M&E systems required to generate the necessary data. As decentralization reforms are in essence political change processes, these M&E systems with their underlying assumption of linear, sequential cause-impact relationships clash with the unpredictable dynamics of the political change processes. Deadlines are missed, agreed results are shifted back and forth, contributions from the partner system are not forthcoming thus leading to delays in the inputs and outputs (or the use of outputs) provided by the development partners. The experimental character of decentralization reforms (and especially of the technical cooperation supporting it) can hardly be captured by such static monitoring systems. Those who have sat in government-donor meetings reviewing agreed action plans with their targets, timelines and indicators, have probably been witness to the complexity of this process. For Indonesia, the absence of a comprehensive decentralization strategy-cum-action plan makes implementing the MbR-principle a “mission impossible” on a sector level.

On Mutual Accountability

For technical cooperation, the principle of mutual accountability has opened up a different approach as compared to earlier perceptions, where – if understood as TA - external inputs were delivered without much consideration how they would be absorbed by the partner system, or – where understood as the earlier German TC concept- they were provided strictly as a contribution to the partner concept (thus giving the partner a kind of veto right about what the TC actor was expected to do). If accountability is indeed a mutual one, then the TC actor has to take initiative and intervene, if agreed objectives of the cooperation are endangered by partner behaviour. This is not to say that development assistance should interfere with national sovereignty – of course the partner country needs to decide what it wants and what it does not want. However, for the external TC actor there is widened legitimacy to voice concerns and to take corrective actions on its own side.

For German development assistance to decentralization reform in Indonesia post-2011, the analysis of the last two decades of technical cooperation suggests that

1. the concept of embedded advisors working in national bureaucracies on large framework changes does not seem the most promising one under the current circumstances, and might need to be discontinued
2. more effort needs to be directed to the strengthening of the voice of intermediaries, as sparring partners to the government and as vocal supporters and guardians of genuine decentralization reforms aiming at political democratization and better service delivery; universities and research institutes remain a major target audience here
3. more effort needs to be directed to introduce a culture of learning into the administrative system of Indonesia, in which policy reforms at the national level reflect lessons learnt from the regions and not only shifting policy agendas (and alliances) of national actors; thus civil service reform and institutional reforms especially of

⁷¹ See FN 50 with the example of the ADB policy loan.

national bureaucracies become key preconditions for the further development of the decentralization agenda

4. more efforts need to be directed to organize regional government associations as crucial and legitimate stakeholders in policy decisions
5. as the overall policy framework for decentralization seems unlikely to be better developed, more effort should be directed to make use of the existing achievements and help realizing the opportunities of decentralization in key service sectors, where German TC can capitalize on its existing sectoral support initiatives.

There are also wider conceptual lessons for German technical cooperation that can be gleaned from the last (two) decades:

The first relates to the dictum of **technical versus political approach** of TC: SfDM went into the effort with a technical approach, and its facilitation efforts focused at that. It found that this technical approach could only take it so far, as there was a need for substantive conceptual inputs on matters dealing with policy and political issues. SfDM's substantive contributions directly to political decision-makers and senior bureaucrats of the GoI made a difference in a given political situation, particularly when Indonesian academics/CSOs were not yet able or given room to freely bring ideas and international experiences to the table. Over time, the political dimensions of the decentralization reforms became even more evident, in the revisions of the original laws for instance. TC needs to recognize (and acknowledge) the political dimension of its work, and –depending on country and thematic context - needs to work in a manner where it can understand the political field (actors, interests, rules of the game, who is the audience, is there a referee etc.) and connect with policy makers. This calls for using multiple tools and instruments, for using a network approach, and for investing substantially in *ex-ante* political analysis and the use of policy scenarios.

The second lesson relates to the issue of **direct versus indirect policy advice**, in other words should TC work with policy makers in the government or with other stakeholders that can effectively influence government decisions: The SfDM experience clearly showed that direct policy advice was instrumental in the 1998-2002 period. Having embedded advisors, who can speak the language, are long-term and therefore familiar with the institutional environment, are strong on substance but also on facilitation skills, was an important ingredient to the success. But this was only so because of the circumstances, like lack of GoI capacity, the urgency of obtaining conceptual inputs because of the political situation, pressure from the public etc.

Post-2002, SfDM and its subsequent incarnations (like ASSD and GLG, as well as the most recent programme approach DeCGG⁷²) saw a shift in the confidence (if not ability) of its counterparts, an emerging middle-income national self-image (for instance reflected in the dissolution of the CGI), and increased “we can do it ourselves” attitude. At the same time, academics shook themselves from their torpor, and CSOs, always vocal, became more acceptable as partners or sources of consultation. As a consequence, all donors are now more or less on the fringes of the reform processes, and brought in more for their funds, optics etc. rather than for specific substantive inputs. They are not “coordinated” by GoI, but they are more controlled and kept at some distance.

Strategically, there has been a shift among donors to use intermediaries, but German TC has been a laggard in this respect. The post-2005 support in the decentralization field was based on the same concept, but was implemented half-heartedly with unrealistic time-frames and resource envelopes not related to anticipated results. In a situation where embedded advisors are not given space to contribute effectively, focusing again on other Indonesian

⁷² Decentralization as a Contribution to Good Governance

actors in the decentralization arena could be the way forward if there is still long-term commitment and availability of resources.

The third lesson is in relation to the concepts of **multi-level governance and the elevator principle**⁷³: Topically, the concept of multi-level governance remains a core concept of German TC support to decentralization and local government reform processes. TC support, even if it is targeting only one level of the administrative system, needs to reflect the inter-relationships between levels of government even when the TC support is targeting only one level (e.g. the confused state of the provincial/Governor level in Indonesia today is in part due to the inconsistent, contradictory and insufficient attention given by donors to this level as part of the multi-level government system). Operationally, having TC activities at several levels ("the elevator") can help to make TC support more effective as change processes can be supported simultaneously at different levels provided there is a common approach and common framework of intervention. Here again, the issue of "ownership" comes in with a big question mark since working at different levels means having different "owners" of cooperation relationships.

Do good advisors or circumstances account for success?: A strength of German TC is its ability to provide embedded advisors that are committed, knowledgeable, capable of interacting with national policy makers, and sensitive to locality/able to communicate in the local language. These factors surely were important in the 1997-2002 periods, when SfDM made its mark. But these factors seem to not be so determining today. It is important to recognize when "structure" (political-administrative and societal) are more determining. It would be wrong for German TC to seek to return to those heady days; in terms of the appropriateness of some of the approaches used in that period, and the likelihood that those circumstances could ever be reproduced in Indonesia.

A good case for continued TC in decentralization for Indonesia can still be made today, but its approach and ambitions must be tailored to the prevailing circumstances. Today, the elite (former New Order included) is consolidating itself again, and with a good economy, is able to hold its own against the reformers - change is happening on the edges of the system, largely through the pressure or persuasion of Indonesian stakeholders. TC needs to recognize the most promising entry points in this changed environment to be relevant and have any chance of success.

⁷³ These concepts are not synonymous but closely interrelated.

Table 2 Phases of German Technical Cooperation in Supporting Decentralization Reforms in Indonesia (1992 – 2010)

Period	1992 – 1998	1998 - 2005	2005 - 2009	2010 and beyond
Characteristics of German TC interventions	<ul style="list-style-type: none"> • Orientation phase 1992-1995 („Trial & Error“ period) • Only national-level activities but networking with relevant TC projects in the regions • Conceptual development of a decentralization strategy for Indonesia • Linkage with sectoral activities (forestry, agriculture) • SfDM as „clearing house“ on local government/ decentralization issues 	<ul style="list-style-type: none"> • Fast-changing policy context and competition between GoI agencies • High demand on advisory resources (government, donor community) • Proliferation of governance projects attached to different GoI agencies, working at national and/or sub-national level • Regional component resp. regional project of SfDM (= PRODA-NT/Promis NT) • Lead role in donor-government interaction on decentralization (Consultative Group on Indonesia) 	<ul style="list-style-type: none"> • Attempt to bundle TC interventions in the governance sector • Emphasis on intermediary organisations as providers of policy advice • Continuation of multi-level approach • More cooperation/co-production with other donors under the DSF umbrella envisaged 	<ul style="list-style-type: none"> • Unification of governance interventions under one programme with several TC modules • Programme agreement binding 4 government agencies (MoHA, MoF, BAPPENAS, KemPAN) • National and sub-national levels of intervention • Continuation of multi-level approach
Thematic Intervention Areas	<ul style="list-style-type: none"> • General decentralization policy advice; support for the elaboration of a new law on regional autonomy • Village government issues • Concept development for Village and Sub-district Development Fund (in cooperation with WB) 	SfDM: <ul style="list-style-type: none"> • Implementation of decentralization laws • Functional assignment • Capacity building systems (needs assessment study; formulation of national policy on CB/CD, development of CBNA 	ASSD: <ul style="list-style-type: none"> • Decentralization policy advice • Support for the elaboration of the special autonomy law for Aceh • Minimum Service Standards CB Kaltim: <ul style="list-style-type: none"> • Application of capacity 	<ul style="list-style-type: none"> • Public service delivery based on minimum standards and good governance principles; • Coherent regulatory framework • Fiscal decentralization and local financial management • Strengthening

Period	1992 – 1998	1998 - 2005	2005 - 2009	2010 and beyond
	<ul style="list-style-type: none"> • Development Planning • Fiscal Decentralization Issues • Implementation of the Gol's 1995 pilot project on decentralization (M&E system) • Support to the implementation of Gol's poverty alleviation programme (IDT) 	<p>tools)</p> <ul style="list-style-type: none"> • Obligatory functions & minimum service standards • Asymmetric decentralization (special autonomy Papua) • Donor coordination <p>Urban Quality:</p> <ul style="list-style-type: none"> • Community development • Urban development issues • Geo risk issues <p>SfGG:</p> <ul style="list-style-type: none"> • Public sector reform/ improvement of public service delivery <p>PromisNT:</p> <ul style="list-style-type: none"> • Poverty reduction strategies in rural areas <p>PAS:</p> <ul style="list-style-type: none"> • Population Administration 	<p>building approach in East Kalimantan</p> <p>GLG:</p> <ul style="list-style-type: none"> • Local government financial management • Territorial reform policies • Development planning • Support for public service delivery at sub national level • Geo risk issues (together with BGR) <p>PAS:</p> <ul style="list-style-type: none"> • Population Administration <p>SfGG:</p> <ul style="list-style-type: none"> • Anti-corruption Clearing House 	<p>bureaucratic reform</p> <ul style="list-style-type: none"> • Strengthening Women's Rights
Advisory Approach	<ul style="list-style-type: none"> • Support to several thematic working groups bringing together work units of Mol/ other government agencies • Agreed project interventions identified through joint planning 	<ul style="list-style-type: none"> • „Elevator principle“ • Co-existence with other governance projects • Loose planning process due to volatile policy and institutional context 	<ul style="list-style-type: none"> • Multi-level approach • Stronger emphasis on intermediary organisations • Stronger linkage of field work • Joint planning process 2005 	<ul style="list-style-type: none"> • Programme concept with different TC modules, joint indicators/M&E system • Multi-level approach

Period	1992 – 1998	1998 - 2005	2005 - 2009	2010 and beyond
(Dominating) Modes of Delivery⁷⁴	<ul style="list-style-type: none"> Advisory Services (particularly related to the poverty alleviation programme) 	<ul style="list-style-type: none"> Advisory Services Networking Services and Dialogue Events Capacity Development 	<ul style="list-style-type: none"> Advisory Services Networking Services and Dialogue Events Capacity Development 	<ul style="list-style-type: none"> Advisory Services Networking Services and Dialogue Events Capacity Development
Partner Organisations	<ul style="list-style-type: none"> MoHA (various directorate-generals and other units) National Agency for State Administration (LAN) Coordinating Ministry for Supervision & Development (MenKo Wasbangpan) 	<ul style="list-style-type: none"> MoHA, Provincial and District authorities in the NTT/NTB State Ministry for Decentralization (1999/2001) MenPAN 	<ul style="list-style-type: none"> MoHA Provincial and district authorities (Central Java, Yogyakarta, East Kalimantan) BAPPENAS MenPAN LAN 	<ul style="list-style-type: none"> MoHA MoF BAPPENAS KepMAN Sub-national authorities in selected provinces and districts LAN

Note: „Periods“ here do not necessarily correspond with the duration of project phases

List of relevant German TC projects:

1992 – 1999: Support for Decentralization Measures (SfDM), Kalimantan Upland Farming (KUF), ProRLK, PNT

2000 – 2005: Support for Decentralization Measures (SfDM), Urban Quality (UQ), Support for Good Governance (SfGG), Proda-NT/Promis-NT, Population Administration (PAS)

2005 – 2010: Advisory Support Services for Decentralization (ASSD), Good Local Governance (GLG), Support for Good Governance (SfGG), Capacity Building for Local Governments in East Kalimantan (CB KalTim), Population Administration (PAS); InWEnt: Local Financial Management; DED: Local Governance Programme

2010 – 2012: TC Program „Support to Decentralization as a Contribution to Poverty Reduction“ which includes the following TC modules: Strengthening Women's Rights, Decentralization, Anti-corruption, Population Administration, Aid Information Management System/ AIMS.

In addition to these TC projects commissioned by BMZ, GTZ implemented several phases of EU support to local government strengthening in Aceh, which used tools, instruments and methods derived from the above-mentioned projects.

⁷⁴ As defined in GTZ (2008) Op.Cit

Table 3 „Family Tree“ of Decentralization-related German TC interventions in Indonesia

