EVANS SCHOOL OF PUBLIC POLICY & GOVERNANCE
UNIVERSITY of WASHINGTON
Evans School Policy Analysis and Research (EPAR)

Aid and Self-Sufficiency: Case Study - Indonesia

Beijie Wang, Caitlin O'Brien-Carelli, Trygve Madsen, Annie Rose Favreau, Pierre Biscaye
Travis Reynolds & C. Leigh Anderson

EPAR Technical Report #349B

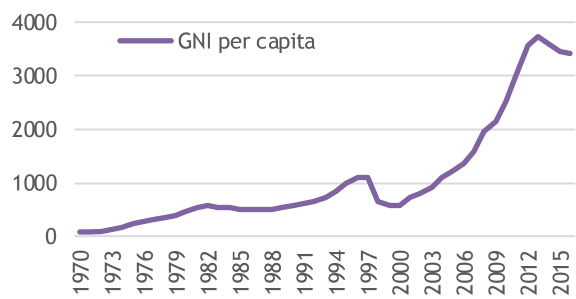
Professor C. Leigh Anderson, Principal Investigator
Professor Travis Reynolds, co-Principal Investigator

November 30, 2017

1. Economic Context in Indonesia

Indonesia is the largest economy in Southeast Asia (World Bank, 2017a) with a GNI per capita of $3,400 in 2016, and has the world's fourth largest population at more than 260 million (World Bank, 2017b). Classified as a lower middle-income country (LMIC)[1], Indonesia is rich in natural resources and is among the top world exporters of several commodities, including rubber, palm oil, and cocoa (OEC, 2017). It is also a founding member of the Association of Southeast Asian Nations (ASEAN) and a member of the G20 (Hermawan, 2011).

Figure 1. GNI per capita in current USD, Indonesia, 1960-2016



Source: World Bank (2017c)

Starting in the 1970s, a commodity boom spurred by the growth of China and India has favored Indonesia, which has considerable natural resources (Chowdhury & Sugema, 2005). Rather than depending solely on natural resources, however, Indonesia has successfully expanded other areas of its economy. The service sector, broadly defined, contributed an average 3.3 percent to total GDP growth against 1.8 percent for industry and 0.6 percent for the agricultural sector in 2003-2012 (Wilmsen, Kaasch & Sumarto, 2017). A series of policy reforms liberalizing retail trade, air transportation, and the tax system have also been credited with slowly transforming the economy and laying the basis for a decade of robust growth (Dharmawan et al., 2012; Stern, 2003). Though the country was hit severely by the 1997 Asian financial crisis and was reclassified to IDA-eligible from 1999-2009, the economy rebounded vigorously throughout the 2000s (*Figure 1*).

In addition to economic growth, Indonesia has also achieved progress in social development, with the country's human development index (HDI) rating climbing from 0.528 in 1990 to 0.689 in 2015 (United Nationals Human Development Report). The percentage of the population living on less than $1 a day was cut in half between 1990 and 2008, and child mortality below the age of five was reduced from 97 deaths per 1,000 in 1991 to 44 deaths per 1,000 in 2007 (Australian Government, 2014). Data on other major social and economic development indicators for Indonesia between 1990 and 2016 can be found in Appendix 1.

---

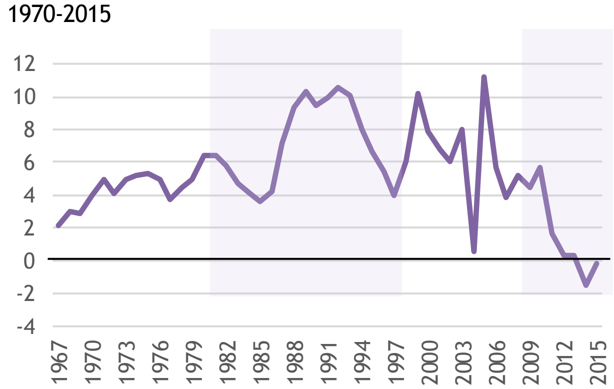
[1] The World Bank classifies countries with a GNI per capita between $1,006 and $3,955 as lower middle-income (World Bank, 2017d).

2. Performance along Measures of Self-Sufficiency in Indonesia

A number of sources cite Indonesia as a successful example of transitioning out of dependence on aid (Prizzon, Rogerson, & d'Orey, 2017; Hailu & Shiferaw, 2016; Doody, 2013; Harvie, 1999). From the 1960s to the early 1990s, Indonesia received foreign aid (concessional loans and grants) from 20 countries and 13 multilateral agencies (Infid, 2007). By 2007, the majority of Indonesia's foreign assistance was from just three sources—the Asian Development Bank (ADB), Japan, and the World Bank (ADB, n.d.). Net ODA per capita has declined dramatically since 1999, approaching zero in 2010-2011 and then becoming negative as loan repayments surpassed inflows (*Figure 2*).

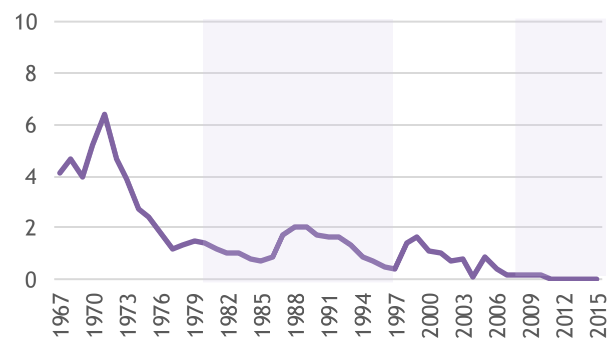
Since the early 1990s Indonesia's declining reliance on foreign aid has been accompanied by strong economic growth. Thus reductions in aid flows in part reflect supply-side factors: when GNI per capita surpasses the graduation threshold of the World Bank, concessional IDA funding is phased out or cut off. Since most donors follow the World Bank in using GNI for eligibility decisions, increasing GNI can sharply cut the supply of aid. As shown in *Figure 2*, when Indonesia first graduated from eligibility for World Bank IDA concessional loans in the early 1980s, aid inflows from other sources continued to grow. But when it graduated for a second time from IDA to IBRD-only status in 2009, its net ODA per capita decreased substantially, in some years to below zero.

Figure 2. Net ODA per capita in current USD, Indonesia, 1970-2015



As shown in *Figure 3*, during the 1970s when the economy steadily improved, ODA as percentage of GNI in Indonesia declined from 6.4 percent in 1971 to only 0.7 percent in 1985. The ratio has remained low with only a few exceptions in years of economic difficulty: the ratio rose to 2 percent in 1988 due to a drop in oil and gas revenues before falling back down (Chowdhury & Sugema, 2005), and rose again from 0.4 percent of GNI in 1997 to 1.6 percent in 1999 when the Asian financial crisis struck. When the country emerged from the crisis, the ratio went down again, and has remained low (the 2008 financial crisis had no discernable impacts on this metric in Indonesia), and by 2015 net ODA was 0 percent of GNI (as net ODA was negative).

Figure 3. Net ODA as % of GNI, Indonesia, 1967-2015



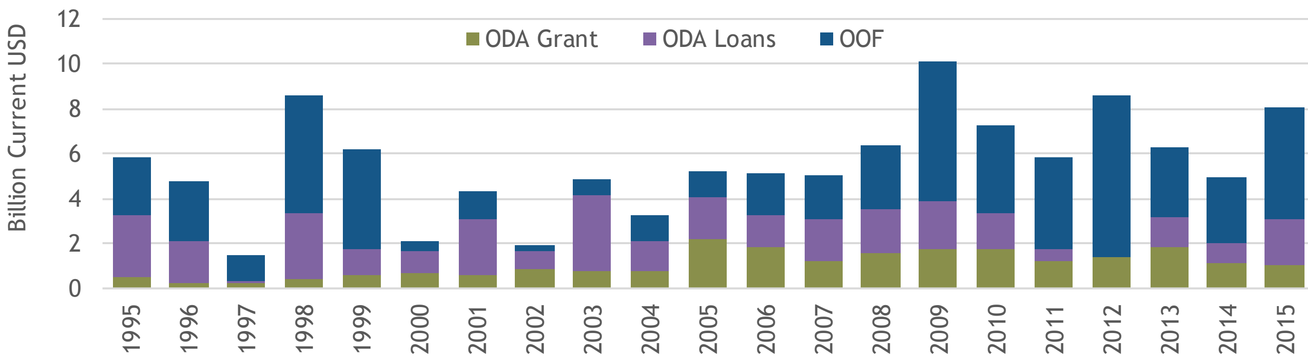
Source: World Bank (2017c)
Note: Net ODA consists disbursements of loans made on concessional terms and grants. Purple shading indicates two periods during which Indonesia had graduated from eligibility for World Bank IDA concessional loans.

Over time, Indonesia has also increased its access to financial sources other than aid, including government bonds and securities, tax revenue, and FDI. A rich stock of natural resources has long enabled Indonesia's government to borrow money. Economic growth also led to a rise in Indonesia's long-term foreign currency debt rating which had been set at BBB- on December 7, 1992 but which was raised to BBB on March 18, 1995

(Moody's, 1997), and which has remained fairly steady since.[2] Since 2005, the government has been issuing international bonds and government securities with increasing volumes (Prizzon, Rogerson, & d'Orey, 2017). According to Indonesia's Ministry of Finance (2016), outstanding international government securities tripled from $17 billion USD in 2010 to $48.5 billion in 2016.

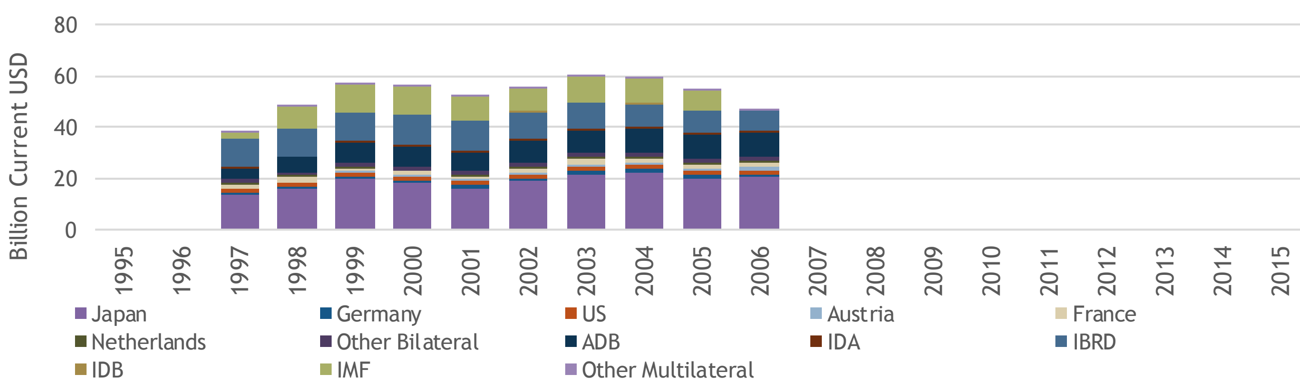
Figure 4 provides an overview of total development flows into Indonesia from 1995 to 2015, separated out by ODA grants, ODA loans, and other official flows (OOFs), which have a smaller grant or concessional element than ODA.[3] Historically, Indonesia's financing has not relied heavily on aid grants (Chowdhury & Sugema, 2005). Especially since Indonesia's first graduation from World Bank IDA lending in 1980 until the Asian financial crisis in 1997, the bulk of its foreign financing has been in the form of loans (both concessional and non-concessional). ODA grants have made up a relatively larger share of development flows since 1997, while OOFs have fluctuated, falling in the early 2000s before increasing again after 2008.

Figure 4. Net flows of development assistance to Indonesia by type in billions of 2016 USD, 1995-2015



Source: OECD CRS (2017)
Note: 1995 is the earliest record in the CRS system for Indonesia.

Figure 5. Total foreign loans to Indonesia by creditor in billions of 2016 USD, 1997-2006



Source: Infid (2008)
Note: Loans include both ODA and other loans from those creditors, for example: tied loans for capital goods, military and other security equipment and consultancy. No data available on bilateral lending before 1997 or after 2007.

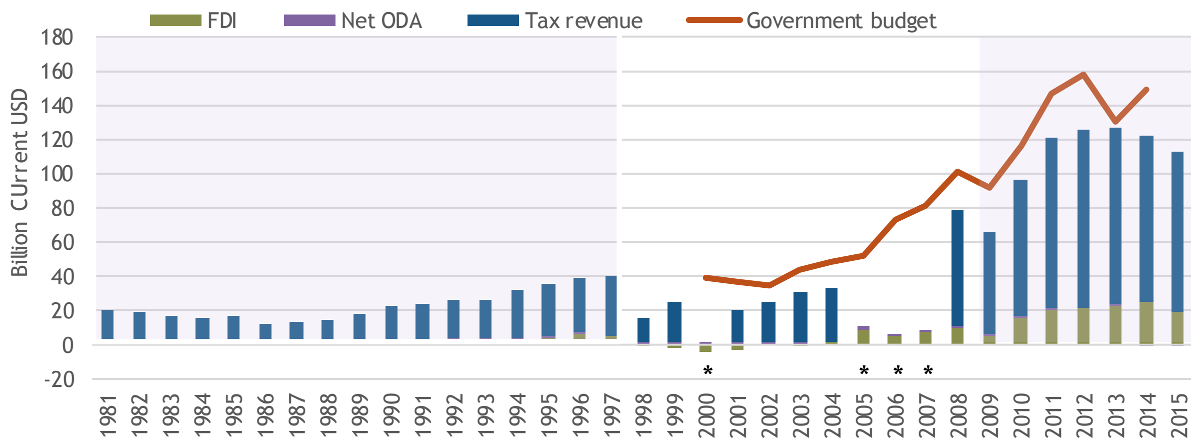
---

[2] The latest rating was in February 2017 when Moody's affirmed its issuer rating at Baa3 (Moody's 2017).
[3] OOFs include: "Grants to developing countries for representational or essentially commercial purposes; official bilateral transactions intended to promote development, but having a grant element of less than 25%; and, official bilateral transactions, whatever their grant element, that are primarily export-facilitating in purpose." (Retrieved from OECD: https://data.oecd.org/drf/other-official-flows-oof.htm) In summary, ODA includes IDA-type loans and grants but not IBRD-type loans with a smaller grant or concessional element (which are classified as OOFs).

Figure 5 summarizes total foreign loans to Indonesia by creditors from 1997 to 2006. When compared with *Figure 4*, it shows that Indonesia's government has borrowed heavily over time and ODA has not been the main financing source. For example, total foreign loans stood at around $40 billion USD in 1997 while total ODA (both loans and grants) was below $4 billion. Japan is the largest bilateral creditor while the Asian Development Bank (ADB), the World Bank (mainly IBRD), and International Monetary Fund (IMF) are the largest multilateral creditors.

Rising tax revenues have also supported Indonesia's shift toward self-sufficiency from aid. During the 1970s, the Indonesian government was able to compensate for the limited domestic tax base by relying on tax revenue from exporting oil, which accounted for about 56 percent of total government revenues from 1979 to 1983 (Frederick et al., 2011). With the end of the oil boom in the mid-1980s and with a growing recognition of flaws in domestic tax laws, the government carried out tax reforms to consolidate the tax base (Stern, 2003). In 1985, a value-added tax on domestic manufacturers was introduced to replace the complicated domestic and import sales tax. A new income tax that imposed a three-tier rate was also imposed, but around 85 percent of households fell below the minimum income threshold and were not subject to taxation when it was first implemented in 1984 (Frederick, Worden, & Library of Congress, 2011). The government also eliminated tax holidays for foreign investment to recoup additional tax revenue. Though levels of FDI declined in the first year as the supporting policy reforms were phased in, foreign investment levels recovered and then rose rapidly. Tax reforms in Indonesia have yielded a substantial increase in government revenues and led to a diversification of revenue sources (Stern, 2003).

Figure 6. FDI, net ODA, tax revenue, and government budget of Indonesia in billions of 2016 USD, 1981-2015



Sources: World Bank (2017c); Government Budget IMF (2017).
Notes: 1. Tax revenue converted from local currency using Official exchange rate World Bank (2017c);
2. * indicates that tax revenue data are missing (years 2000, 2005, 2006, and 2007).
3. Purple shading indicates two periods during which Indonesia had graduated from eligibility for World Bank IDA concessional loans.

Foreign investment has also increased over time, providing an alternative source of financing (*Figure 6)*. According to Prizzon, Rogerson, & d'Orey (2017), ODA and OOFs accounted for 27% and 41% of total external flows (defined as including ODA, OOFs, FDI, and workers' remittances) to Indonesia in 2000, but by 2013, the share was only 8% and 11%, respectively. The authors mainly attribute this to increases in FDI and workers' remittances. An IMF study (Shin et al., 2016) concludes that increasing capital inflows enabled Indonesia to finance a current account deficit and issue additional government securities to meet budgetary needs. The same report also lists the expected appreciation of the national currency and a wider spread of the bond yield over the interbank market rate as main reasons for expanding capital inflows to Indonesia, concluding that FDI flows—now a full one-half of total capital inflows to Indonesia—provide a long-term, stable source of capital (*ibid.*).

As shown in *Figure 6*, relative to tax revenue and FDI, net ODA is a small share of government budgets. FDI increased gradually in the 1990s until around the Asian financial crisis in 1998, when capital began to flow out. However, as the economy stabilized, FDI rebounded and is now playing a larger role in the country's financing, especially after Indonesia's re-graduation from the World Bank blend status in 2009.

In terms of country ownership over development, Indonesia earned a B rating for aid ownership in 2011 from the Paris Declaration on Aid Effectiveness monitoring survey based on their ability to "exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country" (OECD, 2011). The five-point criteria for this grade (with A as the highest score and E as the lowest) are tied to the existence of a country-wide development policy, the extent to which priorities are established, and whether or not policies are costed and linked to a budget. The OECD lists Indonesia's primary challenge in the area of ownership as the capacity to successfully "translate national development strategies into prioritised result-oriented operational programmes as expressed in annual and medium-term plans" (OECD, 2011, p. 2).

Based on data from 2005-2006 (the only year it is available), the Country Policy and Institutional Assessment (CPIA) rates Indonesia an average of 4.3 for economic management indicators on a scale of 1-6, but ranks them lower for quality of public administration (3.5), quality of budgetary and financial management (3.5), and property rights and rule-based governance (2.5). For context, all countries receiving IDA aid averaged 3.4, 2.9, 3.1, and 2.9, for these respective categories in 2005. Apart from the property rights and rule-based governance score, Indonesia's rankings are relatively high by comparison.

In addition, according to the World Bank's Worldwide Governance Indicators, Indonesia's ratings for all governance indicators (including voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption) have generally trended upward since the early 2000s (World Bank 2017e).

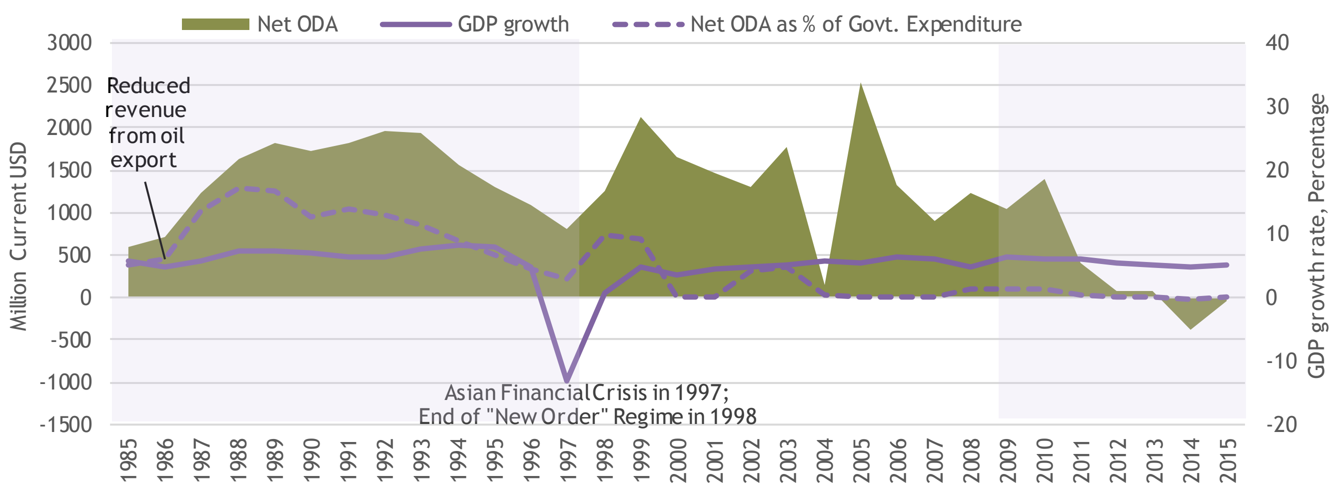
3. Drivers and Barriers to Self-Sufficiency in Indonesia

The literature suggests two main factors driving Indonesia's transition toward self-sufficiency: government aid policies and trade. Indonesia's government has traditionally relied on the principles of familialism, communitarianism, and mutual support to deal with many social problems, rather than looking outward for assistance from donors (Wilmsen, Kaasch & Sumarto, 2017). For example, social welfare is provided through a mix of intra-family support mechanisms, private sector employment combined with remittances, and community-based charitable organizations. Guided by this philosophy of self-reliance, the contribution of ODA to social policy development has been minimal (Kim, 2015; Gough, 2001). Around the time Indonesia crossed the threshold to become a LMIC in the early 2000s, it passed a number of regulations, including the Law of Finance (No.17/2003), Law of National Treasury (No. 1/2004), and National Development Plan (No.25/2004) to limit the size of foreign aid to three percent of its national budget, thereby placing an upper limit on the involvement of foreign donors in domestic affairs (Marut, 2015).

Although Indonesia has gradually reduced its dependence on aid, ODA picked up during years of periodic crisis. The most obvious case is the Asian financial and political unrest from 1997 to 1998. The financial crisis gripped the country in late 1997 and on May 21, 1998, President Soeharto stepped down amidst protests after ruling Indonesia for 32 years as the head of his authoritarian "New Order" regime. Around 1997, the GDP growth rate plummeted to negative 13% while net ODA more than doubled from below one billion U.S. dollars in 1997 to above two billion in 1999. ODA's share of total government expenditure also rose from 2.9 percent in 1997 to

9.9 percent in 1998 (*Figure 7*). Another consequence of crisis on official assistance to Indonesia was the reversal in 1998 of the country's graduation from IDA eligibility, first achieved in 1980, and a parallel return to concessional status with the Asian Development Bank (ADB).

Figure 7. Net ODA (left axis), % GDP growth rate and net ODA in government expenditure (right axis), Indonesia, 1985-2015



Source: World Bank (2017c)
Note: Negative net ODA indicates repayment is larger than aid inflow. The purple shading indicates two periods during which Indonesia had graduated from eligibility for World Bank IDA concessional loans.

The role of aid, especially from the IMF, in lifting Indonesia out of the economic crisis in 1998 was controversial (Infid, 2007). During the height of the crisis, the IMF led a bailout of $43 billion USD in pledged funds, of which around $18 billion were eventually disbursed. However, the IMF packages had conditionality provisions including required structural reforms, which caused confusion and instability. For instance, when the IMF demanded that Indonesia close 16 banks without guaranteeing deposits held in other banks, millions of Indonesians rushed to withdraw all available savings from their accounts fearing that other monetary institutions would soon be shut down as well (Aspinall & Mietzner, 2008).

In comparison, Indonesia showed more resilience and was less dependent on aid during the 2008 financial crisis. The GDP growth rate remained stable at around four percent, and net ODA increased only slightly during the crisis. ODA as a percentage of government expenditure also remained stable throughout the financial crisis, remaining below two percent since 2004 (*Figure 7*).[4] The more recent large decline of net ODA after 2010 may be related to the re-graduation of the country from the World Bank IDA and the large cut in Japanese bilateral programs (Prizzon, Rogerson, & d'Orey, 2017).

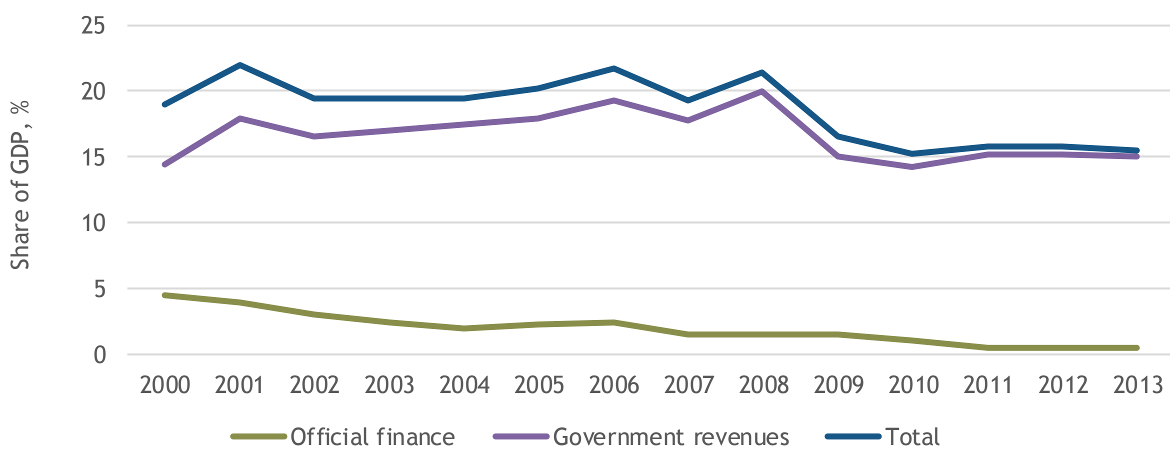
Frederick, Worden, & Library of Congress (2011) and Stern (2003) argue that trade, especially exports, has been a key to Indonesia's increased self-reliance over time. Foreign exchange earnings from exports permitted Indonesia to purchase raw materials and machinery necessary for development; exports also contributed to Indonesia's ability to borrow from the world financial markets and international development agencies (Frederick, Worden, & Library of Congress, 2011). Until the mid-1980s, Indonesia's trade regime favored trade protectionism and relied heavily on the export of oil. Ad valorem import duties ranged from 0 to 200 percent

[4] Notably, Indonesia experienced a drop in net ODA in 2004, but that metric may mask the role that aid played in the country in that year. In 2004, Indonesia was hit hard by the Indian Ocean tsunami. According to news reports, Indonesia received the most humanitarian aid among all tsunami-related aid recipients that year, with more than one billion USD allocated (The Guardian, 2014). This sum is not included in net ODA.

and non-tariff import restrictions covered almost 35 percent of total imports by value (Stern, 2003). However, with the end of the oil boom in the mid-1980s, the country could no long rely on the revenue from oil exports and began to reform its trade regime (Stern, 2003). These trade reforms had the desired dual effect of forcing domestic producers to face international competition, and of creating new employment opportunities in the export-oriented sector. As the cost of importing fell, foreign producers became more willing to locate production facilities in Indonesia, which helped the country to attract more foreign direct investment (FDI) (Frederick, Worden & Library of Congress, 2011).

While we did not identify any sources that definitively specified a role of foreign aid in Indonesia's transition toward economic self-sufficiency, some authors note the inverse—that aid eligibility and allocation criteria may have been harmful to Indonesia's economic and institutional development. Prizzon, Rogerson, & d'Orey (2017) argue that Indonesia is a good example of the "missing middle" whereby growing domestic tax revenue generation fails to make up for declining foreign aid support over time. The authors report that between 2000 and 2013 official finance (ODA and OOFs) dropped from around 5% of GDP to nearly 0%, while government revenues remained at around 15% over the same period, in spite of an initial increase. As a result, total resources available to the government (government revenues plus official finance) have fallen from around 20% of GDP to around 15% (*Figure 8*). The authors conclude that growth in government revenues did not match the reduction in external assistance that occurred when Indonesia graduated from World Bank blend status. They also find that for the following several years Indonesia had to depend on volatile private transfers such as FDI and remittances to fill the funding gap.

Figure 8. The missing middle, official finance and government revenues as share of GDP



Source: Adapted from Prizzon, Rogerson & d'Orey, 2017, p. 18
Note: Official finance includes official development assistance (ODA) and other official flows (OOFs).

Chowdhury & Sugema (2005) argue that generally positive remarks by donor agencies about the Indonesian economy may also conceal problems such as a lack of participation by civil society, lack of accountability, and shortcomings in campaign finance laws allowing bribery to influence policymaking. Indonesia has long faced challenges with corruption, and Transparency International currently ranks Indonesia 90th out of 174 countries in its Corruption Index (Transparency International, 2017). Chowdhury & Sugema (2005) argue that aid inflows may have exacerbated corruption, especially in the infrastructure sector, because of the large procurements associated with aid-based projects. The Indonesian government has acknowledged the problem and has conducted anti-corruption campaigns, but so far these have reportedly seen few results (Doody, 2013).

Finally, other authors have noted that the transition away from aid in Indonesia has also presented challenges for poverty reduction. Though Indonesia is already a lower middle income country and has achieved a significant reduction in poverty, more than 28 million Indonesians (about 11.4%) still lived below the poverty line in 2014 (Ashcroft, 2015). In 2009, the government of Indonesia committed to accelerate the pace of poverty reduction, and declared poverty reduction to be its highest development priority. However critics of current IDA graduation policies note the timing of this new government priority coincided with Indonesia's graduation to IBRD-only status and the associated reduction in concessional resources, based on crossing a GNI per capita threshold, without accounting for still-widespread poverty (Guillaumont, 2009; Guillaumont, 2008).

References

ADB (n.d.). *Development coordination - Infrastructure reform sector development program subprogram3* (RRP INO 40009). Retrieved 30 July 2017 from https://www.adb.org/sites/default/files/linked-documents/40009-04-ino-dc.pdf

Aspinall, E., & Mietzner, M. (2008). *From silkworms to bungled bailout: International influences on the 1998 regime change in Indonesia* (CDDRL working paper No.85). Retrieved from https://cddrl.fsi.stanford.edu/sites/default/files/No_85_AspinallIndonesia.pdf

Ashcroft, V. (2015). *Poverty reduction support facility independent completion report*. Canberra: Department of Foreign Affairs and Trade.

Australian Government (2014). *Aid program performance report 2013-14, Indonesia*. Retrieved from http://dfat.gov.au/about-us/publications/Documents/indonesia-appr-2013-14.pdf

Chowdhury, A., & Sugema, I. (2005). How significant and effective has foreign aid to Indonesia been? *ASEAN Economic Bulletin, 22*(2), 186-216. Retrieved 30 July 2017 from http://www.jstor.org/stable/25773853

Dharmawan, I. et al. (2012). *The effect of air transport to economic development in Indonesia*. Erasmus University.

Doody, J. (2013). *Paths to economic success in Singapore and Indonesia*. The Asia Foundation. Retrieved 30 July 2017 from http://asiafoundation.org/2013/07/10/paths-to-economic-success-in-singapore-and-indonesia/

Elbadawi, I. A. (1999). External aid: help or hindrance to export orientation in Africa? *Journal of African Economies, 8*(4), 578-616. doi.org/10.1093/jae/8.4.578

Frederick, W. H., Worden, R. L. & Library Of Congress, Federal Research Division (2011). *Indonesia: A country study*. Retrieved 30 July 2017 from https://www.loc.gov/item/2011038834/.

Gough, I. (2001). Globalization and regional welfare regimes. *Global Social Policy, 1*(2), 163-189. doi.org/10.1177/146801810100100202

Guillaumont, P. (2008). *Adapting aid allocation criteria to development goals- An essay for the UN Development Cooperation Forum*. [FERDI Working Paper]. Retrieved 30 July 2017 from https://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/30753783-EN-2.3.1-GUILLAUMONT.PDF

Guillaumont, P. (2009). An economic vulnerability index: Its design and use for international development policy. *Oxford Development Studies, 37*(3), 193-228. Retrieved 30 July 2017 from http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.601.3638&rep=rep1&type=pdf

Hailu, D., & Shiferaw, A. (2016). Determinants of 'exit' from high aid-dependence. *Journal of African Economies, 25*(5), 670-698. doi.org/10.1093/jae/ejw012

Hermawan, Y. P. et al. (2011). *The role of Indonesia in the G-20: Background, role and objectives of Indonesia's membership*. Friedrich Ebert Stiftung Indonesia Office: Jakarta.

IMF (2017). International Financial Statistics (IFS). Retrieved 20 July 2017 from http://data.imf.org/?sk=5DABAFF2-C5AD-4D27-A175-1253419C02D1&sId=1390030341854

International NGO Forum on Indonesian Development (INFID) (2007). *Profiles of Indonesia's foreign debt*. Jakarta: International NGO Forum on Indonesian Development.

Kim, S. (2014). NGOs and social protection in East Asia: Korea, Thailand and Indonesia. *Asian Journal of Political Science,* 1-21. doi.org/10.1080/02185377.2014.988277

Kweifio-Okai, C. (2014, December 25). Where did the Indian Ocean tsunami aid money go? *The Guardian.* Retrieved 30 July 2017 from https://www.theguardian.com/global-development/2014/dec/25/where-did-indian-ocean-tsunami-aid-money-go

Marut, D. K. (2015). How will a 40% cut in Australian aid affect Indonesia? *The Conversation.* Retrieved from http://theconversation.com/how-will-a-40-cut-in-australian-aid-affect-indonesia-41753

Ministry of Finance (2016). *External debt statistics of Indonesia, September*. Jakarta: Ministry of Finance.

Moody's (1997). *Rating action: Indonesia's investment-grade rating reflects 25 years of economic progress.* Retrieved 30 July 2017 from https://www.moodys.com/research/INDONESIAS-INVESTMENT-GRADE-RATING-REFLECTS-25-YEARS-OF-ECONOMIC-PROGRESS--PRM_19970205113128

Moody's (2017). *Rating Action: Moody's changes outlook on Indonesia's rating to positive from stable, affirms government bond rating at Baa3.* Retrieved 30 July 2017 from https://www.moodys.com/research/Moodys-changes-outlook-on-Indonesias-rating-to-positive-from-stable--PR_361047

OEC (2017). *Indonesia country profile.* [Data bank]. OEC. Retrieved 20 July 2017 from http://atlas.media.mit.edu/en/profile/country/idn/

OECD (2011). *Aid effectiveness 2005–10: Progress in implementing the Paris declaration.* Retrieved 13 November 2017 from http://www.oecd.org/dac/effectiveness/2011surveyonmonitoringtheparisdeclaration-countrychapters.htm

Prizzon, A., Rogerson A., & d'Orey, M. (2017). *Moving away from aid? The case of Indonesia*. ODI. Retrieved 30 July 2017 from https://www.odi.org/publications/10737-indonesia-debt-management-mic-middle-income-countries-aid

Prizzon, A., Mustapha, S., & Rogerson, A. (2016). *Graduation from ADB regular assistance: a critical analysis and policy options*. ODI. Retrieved 30 July 2017 from https://www.adb.org/sites/default/files/page/181506/ODI-Graduation%20Paper-web.pdf

Stern, J. J. (2003). *The Rise and fall of the Indonesian economy.* Harvard University, John F. Kennedy School of Government.

Transparency International (2017). *Indonesia Corruption Perceptions Index 2016.* Retrieved 20 July 2017 from https://www.transparency.org/country/IDN

United Nations Development Programme Human Development Report (2017). *Indonesia.* Retrieved 13 November 2017 from http://hdr.undp.org/en/countries/profiles/IDN

Wilmsen, B., Kaasch, A. & Sumarto, M. (2017). *The development of Indonesian social policy in the context of overseas development aid.* UNRISD Working Paper 2017-5. Retrieved 30 July 2017 from http://www.unrisd.org/80256B3C005BCCF9/search/0DD036BC1CA5281AC12580F1004DFADB?OpenDocument

Winters, M. (2012). The obstacles to foreign aid harmonization: Lessons from decentralization support in Indonesia. *Studies in Comparative International Development,* 47(3), 316-341. doi.org/10.1007/s12116-012-9114-7

World Bank (2017a). *Indonesia overview.* [Data bank]. World Bank. Retrieved 20 July 2017 from http://www.worldbank.org/en/country/indonesia/overview

World Bank (2017b). *Indonesia population.* [Data bank]. World Bank. Retrieved 20 July 2017 from http://data.worldbank.org/indicator/SP.POP.TOTL?locations=ID&year_high_desc=true

World Bank (2017c). *World Development Indicators.* [Data bank]. World Bank. Retrieved 20 July 2017 from http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators

World Bank (2017d). *World Bank country and lending groups*. [Data bank]. World Bank. Retrieved 20 July 2017 from https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups

World Bank (2017e). *World Bank worldwide governance indicators*. [Data bank]. World Bank. Retrieved 14 November 2017 from http://databank.worldbank.org/data/reports.aspx?source=worldwide-governance-indicators

Appendix 1. Social and economic progress indicators of Indonesia, 1990-2016

	Item	1990	2000	2010	2016
Poverty	Poverty headcount ratio at national poverty lines (% of population)	..	23.4	13.3	11.3
	Poverty headcount ratio at $1.90 a day (2011 PPP) (% of population)	57.3	39.8	16	8.3
People	Life expectancy at birth, total (years)	63	66	68	69
	Mortality rate, under-5 (per 1,000 live births)	85	52	33	27
	School enrollment, primary (% gross)*	114.4	108.8	108.7	105.9
Economic growth	GDP growth (annual %)	7.2	4.9	6.2	5
	GDP (current US$) (billions)	106.14	165.02	755.09	932.26
Economic structure	Agriculture, value added (% of GDP)	22	16	14	13
	Industry, value added (% of GDP)	39	46	43	39
	Services, etc., value added (% of GDP)	39	38	41	44
Finance	Tax revenue (% of GDP)	19.1	11.6	10.5	10.7
	Total debt service (% of exports of goods, services and primary income)	33.5	22.8	17.4	32.1
	Foreign direct investment, net inflows (BoP, current US$) (millions)	1,093	-4,550	15,292	3,762
ODA	Net official development assistance received (current US$) (millions)	1,715.90	1,663.40	1,389.90	-42.7

*Note: The gross percentage of school enrollment includes the number of students enrolled in a given level of education, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education. GER can exceed 100% due to the inclusion of over-aged and under-aged students because of early or late entrants, and grade repetition.