

ABSTRACT

As a newly established aid institution, the Indonesian AID status as a public service agency limit scope for decision-making and increases its strategic role in conducting development cooperation program. It is necessary to map out institutional arrangement challenges from the actual condition of Indonesian AID to become an effective aid institution. The study utilizes the aid institution theory, in which an aid institution could lower transaction costs and uncertainty. The concept of institutional arrangements refers to the design of institutions that can explore the causes of a current institution's level of performance is also used. The writer collected data by personally participating in the institution's policy-making process and analyzing the data using the Creswell framework. It was revealed that there was a gap in the development cooperation program, including a separate organizational structure based on the aid effectiveness assessment. The technical mechanism, monitoring, and evaluation are also needed to improve the institution's practicality. Integrating institutional design and format is also necessary to strengthen political support and establish a domestic cooperation division. Government regulations could accommodate the centralization and integration of cross-ministerial programs, the integration of the south-south cooperation team, and multiple monitoring and evaluation systems reviews. The implementation principles of ownership, alignment, managing for the result, harmonization, and mutual accountability could strengthen the Indonesian Aid capacity focused on development results, efficient aid regulation, institutional development and sustainable economic growth, resulting in the attainment of the national development objective.

Keywords: Indonesian AID, Institutional Arrangement, Aid Effectiveness