



**AUSTRALIAN COUNCIL  
FOR OVERSEAS AID**

# **INQUIRY INTO AUSTRALIA'S RELATIONS WITH INDONESIA**

**SUBMISSION TO THE  
FOREIGN AFFAIRS SUB-COMMITTEE  
OF THE JOINT STANDING COMMITTEE ON FOREIGN  
AFFAIRS, DEFENCE AND TRADE**

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## Australian Council for Overseas Aid

Private Bag 3 Deakin ACT 2600  
Telephone: 02 6285 1816 Facsimile: 02 6285 1720  
Email: [acfoa@acfoa.asn.au](mailto:acfoa@acfoa.asn.au)  
[www.acfoa.asn.au](http://www.acfoa.asn.au)  
ARBN: 091 918 704

ACFOA is the coordinating body for some 90 Australian non government organisations in Australia and administers a Code of Conduct committing members to high standards of integrity and accountability.

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## SUMMARY OF RECOMMENDATIONS

Recommendation 1: that the Australian Government develops and maintains a long-term, whole-of-government strategy on Indonesia, recognising the need for foreign, defence, immigration, aid and trade policy to form a coherent whole. Relevant non-government actors, including NGOs, should be engaged in the development and implementation of such a strategy.

Recommendation 2: that the Australian Government maintains existing limits on international cooperation with the Indonesian military until there is evidence of sufficient respect by the military for human rights.

Recommendation 3: that the Australian Government continues and furthers support for Indonesia in the areas of human rights, good governance, legal reform and military reform, as well as assistance related to conflicts and emergencies. In doing so Australia should recognise the powerful role of Indonesian civil society in promoting human rights and accountable government, and in conflict resolution.

Recommendation 4: that Australia continues and enhances its commitment to basic social services in aid to Indonesia, and uses the Millennium Development Goals as the framework for planning and monitoring progress on reducing poverty.

Recommendation 5: that the Australian Government pays close attention to balancing development assistance between the centre and the regions of Indonesia, and targets regional assistance towards ensuring that decentralisation is carried out competently, inclusively and leads to appropriate outcomes for the people.

Recommendation 6: that the Australian Government continues its effort to demonstrate Australia's commitment to assisting predominantly Muslim regions both in Eastern and West Indonesia, through the aid program and any other opportunities which may exist.

Recommendation 7: that AusAID takes every opportunity to involve Australian and Indonesian NGOs in the development cooperation program, both within and beyond the ACCESS scheme, and encourages the links between them.

Recommendation 8: that the Australian Government investigates the possibility of a bilateral debt relief initiative with Indonesia, using the model of a debt-for-poverty reduction swap.

Recommendation 9: that the Australian Government supports measures which enhance Indonesia's food production and food security needs, including the exemption of Indonesia's staple crops from tariff reductions in the WTO.

Recommendation 10: that the Australian Government, in consultation with government and civil society in Indonesia, undertakes measures to enhance Indonesia's trade negotiating capacity and in the longer term its ability to value-add to key industries and diversify its economy.



# 1. INTRODUCTION

The Australian Council for Overseas Aid (ACFOA) welcomes this opportunity to provide a submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade's inquiry into Australia's relations with Indonesia. This submission has been compiled by ACFOA's Indonesia Working Group.

Founded in 1965, ACFOA is the coordinating body for some 90 non-government organisations (NGOs) working in the field of overseas aid, development and human rights. The common objective of all ACFOA members is to work for social and economic justice, respond to human needs, and to help produce conditions through which people can realise their full potential as human beings.

Australia's relationship with Indonesia is a priority for ACFOA, reflecting the strong interest and activity of many of its member organisations. ACFOA has developed a country-specific strategy for Indonesia, to assist with a coordinated Australian NGO approach (see Appendix 1). The ACFOA Indonesia Working Group (IWG) has been in operation for around fifteen years, and is currently comprised of 27 agencies with programs in Indonesia (see Appendix 2 for a list of these organisations). The IWG works within ACFOA to raise issues relating to Indonesia, and also represents ACFOA in liaising with the Government and other institutions and groups on matters relating to Australia's development program and human rights issues in Indonesia.

The relationship between Australian and Indonesian NGOs has been developed over decades, and is characterised by strong person-to-person contacts. A recent survey of members of the IWG (see Appendix 3) showed that eight organisations have been working in Indonesia for over twenty years, and a further eight for 10-20 years. Twenty members of the IWG work in partnerships with locally based Indonesian NGOs.

In addition, the IWG has enjoyed a long relationship with the International NGO Forum on Indonesian Development (INFID), which is an umbrella organisation for both Indonesian NGOs and NGOs from donor countries. This year six members of IWG attended the INFID conference, providing an opportunity for members to listen to the views of Indonesian NGOs on human rights and impunity, debt and poverty (see Appendix 4 for the conference statement). On occasion, ACFOA and INFID have also produced joint press releases, such as occurred after the Bali bombings (see Appendix 5).

At a time of great change and challenge in the bilateral relationship, Australian NGOs are therefore able to offer a different perspective on Australia's relations with Indonesia informed by the experiences of Australians and Indonesians working together at grassroots level over a long period.

## 2. A COMPREHENSIVE APPROACH TO RELATIONS WITH INDONESIA

ACFOA believes that a comprehensive approach to Australia-Indonesia relations is vital. Government policies on bilateral relations, aid, immigration, defence, human rights and trade, must not undermine each other, but instead be positive and coherent. ACFOA believes that the most effective approach to bilateral relations is to build on and support the enduring people-to-people relationships that are the foundation for positive bilateral engagement. This strong foundation is demonstrated by the enduring ties maintained by students, volunteers and other Australians and Indonesians who have worked in each other's countries. Only a people-centred and inclusive approach can effectively combat negative Indonesian perceptions of Australia and enhance trust and cooperation. For that reason it is important that civil society, including Australian NGOs, academics and individuals, remain engaged as partners with the Australian Government.

### **Recommendation 1:**

***That the Australian Government develops and maintains a long-term, whole-of-government strategy on Indonesia, recognising the need for foreign, defence, immigration, aid and trade policy to form a coherent whole. Relevant non-government actors, including NGOs, should be engaged in the development and implementation of such a strategy.***

A coherent Australian approach to bilateral relations should take into account the enormous internal problems facing the current civilian government in instituting reforms after more than thirty years of authoritarian rule. The movement towards a more democratic regime is very fragile, and by no means assured of success. Australia's priorities may not always be shared by Indonesia, for good reasons.

Two current issues provide particular sources of potential tension and difficulty in the bilateral relationship, and challenge Australian Government agencies to think harder about an effective approach. ACFOA would like to highlight the lessons learned from the experiences of Australian and Indonesian NGOs, for the development of policy in these two areas: terrorism and asylum seekers.

### **2a. Terrorism, Human Rights and Military Cooperation**

ACFOA deplores acts of terrorism, and welcomes the effective co-operation taking place between the Australian and Indonesian police in the aftermath of the Bali bombing. The Bali response demonstrates that investigations of terrorist suspects can and should be carried out by the Indonesian police, who are now separate from the military. Australian assistance towards fighting terrorism should be directed to the legal system and to the Indonesian police as the appropriate law enforcement body. While the overall performance of the police force has been uneven, Australian support for the dedicated and honest elements within the police will help to strengthen their position and enhance their work against terrorism.



ACFOA is concerned that in discussing bilateral cooperation against terrorism, the Australian Government has considered enhancing its cooperation with the Indonesian military, and particularly the Kopassus Special Forces unit. This potentially encourages an inappropriate military response to a law enforcement problem, and is additionally troubling given the past and recent record of the Indonesian military on human rights. ACFOA joins Indonesian human rights advocates in calling for the maintenance of existing limits on international cooperation with the Indonesian military until there is evidence of sufficient respect by the military for human rights.

Further, recent events have placed the Indonesian government under great international pressure to prove that it is taking appropriate action to eradicate terrorism. ACFOA joins Indonesian NGOs in their concern that any reforms to Indonesian law and regulation to combat terrorism do not undermine Indonesians' civil and political rights, including freedom of speech and assembly, and protections in the criminal justice system.

**Recommendation 2:**

***That any Australian Government maintains existing limits on international cooperation with the Indonesian military until there is evidence of sufficient respect by the military for human rights.***

## **2b. Border Security and Asylum Seekers**

ACFOA supports bilateral and regional cooperation on the issues of people smuggling and asylum seekers, such as demonstrated by the regional conference held in Bali in February 2002. At this point it appears that the flow of asylum seekers has temporarily ceased, but if boats were to resume, ACFOA believes that the Australian Government should pursue a constructive and collaborative approach which acknowledges the huge strains and pressures already placed on Indonesia by the 1.37 million internally displaced persons (IDPs) within the country. A more collaborative approach would involve Australia's active involvement in monitoring and processing asylum seekers, and taking on a quota of refugees processed in Indonesia, as well as continued and committed support to UNHCR and IOM to address issues arising from displacement and people smuggling and to ensure that action on such issues is in accordance with relevant international laws.

ACFOA believes that a comprehensive approach to border security must also incorporate measures targeted at assisting Indonesian fishers, whose poverty can lead to people smuggling. This would include assistance with sustainable livelihoods, devoting resources to preventing large-scale foreign fishers from exploiting Australian and Indonesian waters, and committing to appropriate systems of resource management in shared and border areas. Projects – some of which are already underway - could include training in management of fisheries and assistance in the setting up of fish, trepang and trochus farms as well as related research. (For more details on these points, see Oxfam Community Aid Abroad's submission to the present inquiry.)

### **3. THE ROLE OF AID IN THE BILATERAL RELATIONSHIP**

ACFOA believes that Australian aid to Indonesia is important in assisting our nearest neighbour establish a more prosperous and democratic society, but also in strengthening the relationship between the two countries. Earlier this year, ACFOA was invited by AusAID to present a submission and participate in a discussion on the priorities for AusAID's development strategy on Indonesia. A summary of the key points presented by ACFOA is below.

#### **3a. Good Governance**

ACFOA welcomes the Australian Government's recognition that good governance is a vital plank of aid to Indonesia. While not contesting the importance of governance measures designed to encourage economic growth and financial transparency, ACFOA advocates a greater emphasis on measures designed to promote broader elements of good governance: human rights, legal reform, preventing and responding to conflict, and demilitarisation.

There have been only minor improvements in human rights since the fall of Soeharto. The continuing problem of a lack of understanding and respect for human rights within the military in particular, undermines military-civilian relations. ACFOA urges the Australian Government to place a real priority on activities that promote human rights both in legal and institutional structures, and at grassroots level. ACFOA welcomes elements of the Australian aid program that contribute to the strengthening of transparent, accountable and effective legal and judicial systems in Indonesia.

ACFOA believes it is essential that a strong gender focus be maintained in governance activities, particularly given that women often play important roles in informal dispute resolution, negotiation and conflict resolution. Women need to be included in all aspects of legal training, to ensure their appropriate representation in legislative, judicial, bureaucratic, and non-government processes.

Dealing with communal conflict in Indonesia – in Aceh, Papua, Kalimantan, Maluku and Central Sulawesi - is another significant governance and human rights issue. There has been an alarming number of deaths arising from conflicts, particularly in Aceh, where some 939 deaths have been caused by the conflict so far in 2002.<sup>1</sup> Conflicts have also created about 1.37 million internally displaced persons (IDPs) across Indonesia.<sup>2</sup> Indonesian NGOs maintain that much of this conflict is fuelled by the involvement of military-backed militias, and the fact that political parties now have their own militias creates the prospect of even more violence around the 2004 election. It is important that Australia continues to support the development of conflict prevention and peace-building initiatives in local communities, as well as maintaining support for IDPs. Such activities must be inclusive and sensitive to the needs of women and children. ACFOA welcomes the Government's recent commitment of \$10 million towards the UN's 2003 Consolidated Appeals Process for Indonesia.

Military reform is crucial to ensuring the success of ongoing reform and democratisation efforts in Indonesia. Important reforms include the need to ensure greater financial

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<sup>1</sup> Figures compiled from the United Nations' Office for the Coordination of Humanitarian Affairs' Consolidated Situation Reports on Indonesia, nos 57-101, indicate that between January and November 2002, 939 deaths resulted from the conflict in Aceh, 444 of which were civilian.

<sup>2</sup> See World Food Program Report on Indonesia, 28 August 2002.

accountability on the part of the Indonesian military, and curbing the extra budgetary resources of the military (estimated by some observers to be up to 70 per cent of their total real budget). Moreover, the longer-term goal of a smaller, more professional military force would be one that is both more affordable and accountable. Cutting back the military's power will necessitate funding to provide pensions to demilitarised soldiers, in order to prevent their joining the already large numbers of militia active in Indonesia. Finally, a functioning Human Rights Court is important to break the culture of impunity and prosecute appropriate cases involving military personnel.

### **Recommendation 3**

***That the Australian Government continues and furthers support for Indonesia in the areas of human rights, good governance, legal reform and military reform, as well as assistance related to conflicts and emergencies. In doing so Australia should recognise the potentially powerful role of the emerging Indonesian civil society in promoting human rights and accountable government, and in conflict resolution.***

## **3b. Basic Social Services**

ACFOA strongly advocates that Australian aid should be directly focused on the single goal of poverty reduction, and aimed at achieving the internationally agreed Millennium Development Goals (MDG) to halve global poverty by 2015. In evaluating Australian aid against the MDG, ACFOA supports the strong assistance to basic social services such as health, education and agriculture already provided in the current aid program. Nevertheless, ACFOA believes that Australia could do more to ensure that aid to Indonesia contributes to meeting the MDG through targeting the most basic needs of the poorest. In particular, ACFOA stresses that funds used to assist Indonesia in dealing with such issues as people smuggling or terrorism should be found outside the aid program and not included in the aid budget.

ACFOA advocates more support for basic education at primary and junior secondary level, particularly curriculum development and teacher training, and increased assistance for technical training institutions in outer islands. ACFOA notes recent comments by the Minister for Foreign Affairs, suggesting that Australian assistance to basic education in Indonesia should be increased and would welcome an increase in targeted and appropriate aid for basic education in Indonesia.

It is equally important to support health projects at the national, district and local levels, with an emphasis on the policy, management, planning and service delivery aspects of health programs at a district level. ACFOA considers the Indonesian HIV/AIDS & STD Prevention and Care Project to be a particularly important part of the health program, given the disastrous consequences of the spread of AIDS. It is also an area in which Australia has considerable and appropriate experience to offer. ACFOA encourages the expansion of HIV/AIDS prevention activities to Papua in 2003-06, given the high rates of infection reported there.

Assistance in agriculture remains a priority: both production and marketing activities that help people to help themselves, and also training in management and environmental sustainability. Building these skills among rural Indonesians is essential for sustainable food security. Improved credit services for the poor remain important, to assist with development of small, sustainable income-generating projects.

#### **Recommendation 4**

***That Australia continues and enhances its commitment to basic social services in aid to Indonesia, and uses the Millennium Development Goals as the framework for planning and monitoring progress on reducing poverty.***

### **3c. Geographical Focus and Decentralisation**

In order to focus effectively on the core goal of poverty alleviation, there is a need for Australian aid to be balanced between developing programs in the centre and regions of Indonesia. One area where a national focus is rightly a priority is in the area of support for judicial reform, as only a stable and non-corrupt central government and judiciary will be able to provide the necessary checks and balances for the decentralisation process currently underway.

In the short time since it has been introduced, decentralisation has produced uneven results. On the positive side, decentralisation shifts power away from being focused solely in Jakarta, and ideally should make local government officials more accountable, because they are closer to their local constituencies.

However, decentralisation has brought problems of its own. Corruption is reportedly commonplace. Local government officials are frequently being appointed from former bureaucrats, as they are the only people with relevant knowledge, experience, and contacts within the community. Representation of women in local government is proving to be low. There are potentially serious environmental consequences, as approval for new projects involving resource extraction lies with districts that are under intense pressure to generate finances, particularly in a period of poor economic growth. Local governments are struggling with new responsibilities for the care of long-term IDPs. The process has also created major challenges for Indonesian civil society organisations, which now have to liaise with up to 500 district governments in the face of scarce resources.

Bearing these challenges in mind, it is important that human rights and the environment are prioritised in governance initiatives aimed at assisting the decentralisation process. This could include provision for the training of local officials, NGOs and the media at a local level to strengthen competence in carrying out and monitoring decentralisation. Australia should provide assistance that recognises the causal and interrelated factors of poverty, inequity and conflict.

As regional autonomy develops, it will be even more essential to vary approaches in different areas. Papua, for example, as an area with Special Autonomy, will become a province with one of the highest provincial incomes, but with very poorly trained local officials and poor infrastructure for health and education, and an area in danger of regional conflict and human rights abuses. (See ACFOA's Papua strategy in Appendix 1; and Caritas' submission to the present inquiry, for further details.)

Meanwhile, there is a need for Australia to reassess the geographical focus of its aid program. Whilst there were clear historical reasons for the large concentration of Australian-funded aid programs in Eastern Indonesia (Nusa Tenggara Timur, Nusa Tenggara Barat, South and Central Sulawesi and Papua), there is now more flexibility in the division of which donor countries can work in which regions of Indonesia. ACFOA

considers that there is a need to counter perceptions in some quarters of Indonesia that Australia only provides aid in the regions that are its most immediate neighbours and/or is only interested in Christian communities. At the very least, ACFOA believes that if the current focus of the aid program is to remain in Eastern Indonesia, AusAID should fund a small number of high profile activities in areas of Western Indonesia (Sumatra, Java) that are predominantly Muslim. ACFOA commends AusAID for taking such sensitivities into consideration in the formulation of the ACCESS program as well as in the drafting of its latest country strategy for Indonesia, and encourages that this be followed through in the final strategy and in its implementation.

#### **Recommendation 5**

***That the Australian Government pays close attention to balancing development assistance between the centre and the regions of Indonesia, and targets regional assistance towards ensuring that decentralisation is carried out competently, inclusively and leads to appropriate outcomes for the people.***

#### **Recommendation 6**

***That the Australian Government continues its effort to demonstrate Australia's commitment to assisting predominantly Muslim regions both in Eastern and West Indonesia, through the aid program and any other opportunities which may exist.***

### **3d. Role of Civil Society**

As noted above, ACFOA believes that strong people-to-people links provide the foundation for positive and enduring bilateral relations. Moreover, the experience of ACFOA's members in working with Indonesian partners demonstrates the importance of Indonesian civil society in promoting sustainable and appropriate development from government policy down to the local level. For these reasons ACFOA strongly advocates that support for Indonesian civil society, and for NGO links between Australia and Indonesia, should be priorities in Australia's aid program.

ACFOA welcomes the initiation of the AusAID-funded ACCESS scheme, which aims to assist the development of local civil society groups, particularly to monitor the impact of decentralisation. Beyond ACCESS, ACFOA encourages the Government and Parliament to explore all possible ways to promote and support a healthy civil society in Indonesia, and active bilateral relations at a people-to-people level through NGOs.

#### **Recommendation 7**

***That AusAID takes every opportunity to involve Australian and Indonesian NGOs in the development cooperation program, both within and beyond the ACCESS scheme, and encourages the links between them.***

## 4. ECONOMIC ISSUES

The 1997 economic crisis has resulted in approximately half of Indonesia's population living below the poverty line. This devastating event served to highlight deep problems with economic policy in Indonesia, including the cultivation of a weak legal system; the tolerance of extensive corruption; a heavy reliance on external capital; lack of attention to the equitable distribution of land and wealth; and lack of popular participation in the economy. ACFOA therefore welcomes the Australian Government's assistance to the new Indonesian government in efforts to improve the transparency, accountability and competency of the legal and banking systems.

In line with this valuable work, Australia needs to use its influence to ensure there is coherence between the anti-poverty focus of the aid program and the policies in Indonesia of institutions such as the World Bank, the Asian Development Bank and the Consultative Group on Indonesia (CGI). In particular, ACFOA urges the Australian Government to continue to support reforms to the CGI to ensure that it is less donor-driven and open to greater Indonesian civil society participation.

### 4a. Debt

Indonesia has been further disadvantaged by an enormous debt burden, which the World Bank has assessed will total around 76 per cent of its GNP by 2003. In practical terms, this means that money desperately needed for basic social services such as education and health, will instead be diverted to wealthy countries and international financial institutions for debt servicing. ACFOA notes with concern academic analysis suggesting that Indonesia's debt burden is unsustainable, and will lead to a debt crisis in 2004-05 when certain loans mature.<sup>3</sup>

ACFOA congratulates the Australian Government on the efforts it is currently making to assist Indonesia cope with its debt burden, including advocating more favourable debt rescheduling for Indonesia in international fora such as the Paris Club. ACFOA encourages the Australian Government to continue and enhance this effort, particularly while Indonesia remains ineligible for assistance under the OECD's Highly Indebted Poor Countries (HIPC) initiative.

There is more Australia could do. As a participant in the Jubilee campaign (see Jubilee's submission to the present inquiry), ACFOA believes that much could be gained both in symbolic and practical terms, if Australia were to take the initiative of bilateral debt cancellation with Indonesia. Around \$1.6 billion of Indonesia's \$75 billion external debt is owed to Australia. ACFOA believes a bilateral debt relief initiative would be a valuable and timely signal of Australia's genuine support for economic rehabilitation in Indonesia, and may also help trigger wider international action. Australia could ensure such relief directly contributed to poverty reduction by offering it in the form of a debt-for-aid swap, such as recently agreed between the German and Indonesian governments. The precise terms of such an arrangement could be worked out by mutual agreement.

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<sup>3</sup> See Jubilee Australia's submission to the present inquiry, which cites the work of Indonesian economist Professor Sadli (at p2).

### **Recommendation 8**

***That the Australian Government investigates the possibility of a bilateral debt relief initiative with Indonesia, using the model of a debt-for-poverty reduction swap.***

## **4b. Indonesia and Trade**

ACFOA believes it is important for Australia to support the trade-related development needs of Indonesia, particularly in the areas of agriculture and capacity building.

Indonesia is an important member of the Cairns Group of agricultural trading nations. It is in Australia's interest to ensure Indonesia remains a strategic partner in the Group, and supports such objectives as increasing market access through the removal of agricultural export subsidies in the EU, USA and Japan. But given Indonesia is a net food importing country, such gains in market access will be of little advantage to the Indonesians. Australia therefore needs to support a range of other trade related measures that are in Indonesia's interest.

Foremost amongst Indonesia's economic priorities is the protection of local food production. Basic staple crops (such as rice) should be exempt from tariff reductions in the WTO with special safeguards in place to protect Indonesia against dumping and import surges. (Please note Oxfam Community Aid Abroad's submission to the present inquiry on the trade-related agricultural needs of Indonesia)

Australian Government trade negotiators are to be commended for their recent support of flexible arrangements for Indonesia on agricultural concerns, but Australia needs to remain constant in this regard. Australia should support special and differential treatment for Indonesia so it can advance its trade and agricultural needs, consistent with its stage of development.

ACFOA believes that trade-related capacity building is an important contribution Australia can make to developing countries in the region. In Indonesia, such capacity building needs to target two areas: enhancing trade negotiation capacity, and longer-term support for the development of supply-side solutions that will diversify the economy.

In the short term Australia should undertake further consultations with the Indonesian Government about measures to enhance its ability to understand and analyse WTO agreements and their implications, while helping to strengthen Indonesia's negotiating capacity in Geneva and at key trade forums such as WTO Ministerial meetings.

In the longer term Australia, in consultation with the Indonesian Government and Indonesian civil society, should embark on measures for technology transfer, education and training of the Indonesian workforce, and specific support for diversification of the Indonesian economy, which will increase Indonesia's comparative advantage and hence its competitiveness in global markets.

Support for such sustainable economic outcomes will eventually allow Indonesia to benefit from increased global trade. Australia's agricultural technology and expertise is one obvious area where we have the ability to provide relevant assistance. Australia could add value to Indonesia's agricultural sector while cooperating with the Indonesians to identify new areas for rural development and employment of Indonesia's large and relatively young workforce.

### **Recommendations 9 & 10**

*That the Australian Government supports measures which enhance Indonesia's food production and food security needs, including the exemption of Indonesia's staple crops from tariff reductions in the WTO*

*That the Australian Government, in consultation with government and civil society in Indonesia, undertakes measures to enhance Indonesia's trade negotiating capacity and in the longer term its ability to value-add to key industries and diversify its economy.*





## **APPENDIX 1: ACFOA OBJECTIVES AND STRATEGY ON INDONESIA- DEVELOPING A COORDINATED AUSTRALIAN NGO APPROACH**

Adopted December 2000. Last revised: September 2002

Australian NGOs have a long-standing and highly valued relationship with their Indonesia counterparts. As the democratisation of Indonesia proceeds Australian NGOs remain committed to assisting the Indonesian people, through their counterparts in Indonesia, in programs of social and economic development and for the peaceful resolution of conflict.

There is a need to maintain up to date information on changes within Indonesia, particularly as an ambitious program of decentralisation is implemented which will bring far reaching impacts on governance at the regional and local levels. To this end ACFOA has established, with the support of member agencies, an Indonesian Information and Analysis Project.

The following objectives have been developed by an ACFOA advisory group to guide the work of ACFOA and to assist in developing a coordinated strategy with Australian NGOs:

- Support for democratisation and the decentralisation process in Indonesia with a particular focus on strengthening the role and capacity of civil society organisations;
- Increase understanding within Australia of the underlying complexities of the situation in Indonesia including the views of Indonesian civil society organisations so as to develop greater support amongst Australians for the people of Indonesia;
- Facilitate the provision of humanitarian assistance to vulnerable communities in a non-discriminatory way;
- Support for peaceful resolution of conflicts in Papua, Aceh and other parts of Indonesia.

Actions in support of these objectives include:

- Broadening and strengthening relationships between Australian and Indonesian NGOs including regular exchange visits between Australia and Indonesia;
- Assisting NGOs within Indonesia in the development of their capacity in relation to their role in the democratisation process;
- Maintaining and disseminating accurate and up to date information on humanitarian needs and priorities;
- Generating greater awareness and coordination of NGOs internationally in relation to humanitarian needs and support for the democratisation process in Indonesia;
- Regular dialogue with international financial institutions to ensure their policies do not undermine the democratisation process;
- Work with civil society organisations in Indonesia in promoting peaceful resolution of conflicts in Indonesia including in Papua, Aceh and other places.

These strategies are developed and implemented through ongoing consultation with ACFOA members, in particular, the members of the ACFOA Indonesia Working Group.

## Promoting Resolution of Conflict in Papua

*Adopted December 2000. Last Revised: September 2002*

As part of a broader strategy responding to the forces of democratisation and change in Indonesia ACFOA is working with Australian NGOs to develop an appropriate response to events as they unfold in Papua (formerly known as Irian Jaya), which does not inflame conflict, or create unrealistic expectations.

This response is guided by the principles of respect for the human rights of all people in Papua and the promotion and use of non-violent methods to resolve conflict. ACFOA's view is that the only durable way to resolve the issues related to self determination in Papua is by peaceful negotiation.

ACFOA does not have a view on the form that self-determination should take.

ACFOA adopts a position which:

- Calls for respect of the internationally recognised rights of all people in Papua including indigenous and non-indigenous peoples;
- Urges the international community and the Indonesian Government, in concert with the Indonesia Human Rights Commission, to ensure that the human rights of all people in Papua are protected;
- Urges the parties to the current conflict over self-determination in Papua to enter a negotiation process without pre-conditions, which takes at its starting point the respect of human rights.

The negotiation process should examine a broad range of options as to how the concerns of the indigenous Papuan people can be addressed consistent with universal standards of human rights.

Subsequent to this resolution of the ACFOA Executive Committee the ACFOA Indonesia Working Group developed a submission to AusAID in 2002 on the development of the 2004-2006 Indonesia Country Program Strategy, which included the following input and recommendations.

**Particular emphasis needs to be placed on Papua under the new Special Autonomy arrangement, which will become effective in 2002. This law grants Papuans a large portion of revenue: 80% from forestry and fishing and 70% from oil and gas, and provides the provincial government with control over all aspects of Papuan government (such as health and education), except for foreign affairs and security.**

The dramatic increase in regional revenue, from 20% to 70-80%, is likely to result in Papua having one of the highest provincial incomes, but with very poorly trained local officials and poor infrastructure for health and education. The potential for problems resulting from this situation is great.

Support is needed in Papua for the strengthening of health and education infrastructure, training of officials and for development of curriculum in educational institutions. Such support would not only assist in the development of Papua, but could also play a significant role in reducing long-running tensions and conflict in the province.

ACFOA recommends that AusAID place special emphasis in the 2004/6 Indonesia Country Strategy on Papua as it develops Special Autonomy.

## **APPENDIX 2: ORGANISATIONS ON THE ACFOA INDONESIA WORKING GROUP**

Adventist Development and Relief Agency  
AESOP Business Volunteers Limited  
Amnesty International Australia  
Anglicans Cooperating in Overseas Relief and Development  
APHEDA - Union Aid Abroad  
Austcare  
Australian Baptists World Aid  
Australian Education Union  
Australian Legal Resources International  
Australian Red Cross  
Australian Volunteers International  
The Burnet Institute  
CARE Australia  
Caritas Australia  
Christian Blind Mission International  
Christian Children's Fund  
Leprosy Mission Australia  
Muslim Aid Australia  
National Council of Churches of Australia  
Nusatenggara Association Inc.  
Opportunity International Australia  
Oxfam Community Aid Abroad  
PLAN International Australia  
TEAR Australia  
United Nations Children's Fund Australia (UNICEF Australia)  
Uniting Church Overseas Aid  
World Vision Australia



## APPENDIX 3: A SURVEY OF AUSTRALIAN NGO INVOLVEMENT IN INDONESIA

# australian ngos and indonesia

A survey of  
Australian  
NGO  
involvement in  
Indonesia  
June 2002

This snapshot of Australian NGO involvement in Indonesia provides an overview of activities being undertaken by the sector, current and future commitments, geographical and financial scope, sectoral focus, and advocacy work. The information was compiled from a survey of ACFOA members and associated others about their degree of involvement with Indonesia in the financial year 2000-1.

ACFOA has maintained an active involvement in Indonesia with a strong Working Group that focuses on current development issues and debates. ACFOA has strong links with the International Forum on Indonesian Development (INFID), and in partnership with INFID continues to advocate for the urgent needs of the Indonesian people including the need for debt relief in Indonesia.



**Australian Council  
for Overseas Aid**

The main focus of NGO work is in broad based community development in the eastern part of the country, in the main part linking in with local or regional NGOs or channelling funds to organisational affiliates based in Indonesia. When comparing this report with past ACFOA involvement in Indonesia, it must be noted that drops in income and involvement are associated with the fact that East Timor has now become independent, and so the significant amount of NGO support going to this area is no longer tallied within this overview, as it was in the 2000 survey.

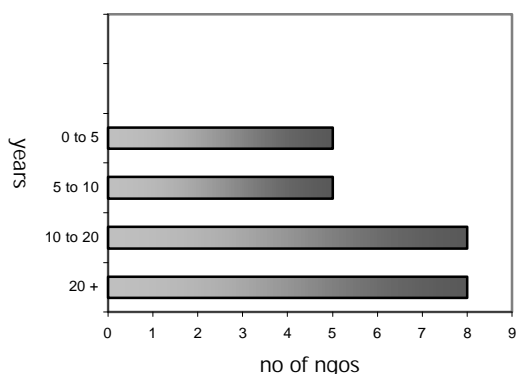
There are 27 ACFOA member agencies and associated organisations supporting development activities in Indonesia. Twenty-six of these agencies – all of which are the most significant players - responded to ACFOA's questionnaire. Thirty-six Australians are working in Indonesia through Australian NGOs, either in a paid or voluntary capacity. The data provided is at the discretion of the agencies responding, so some inconsistencies may occur across sections. Confidentiality has been maintained throughout the report at the discretion of organisations.

## Committed for the long haul...

Over half of the 26 Australian NGOs surveyed have been involved in Indonesia for ten years or more, with a considerable proportion having worked in Indonesia for over 20 years.

The increasing involvement of NGOs within the last five years is in part a response to the recent moves towards democracy in Indonesia, with a freeing up in the organisation and work of local civil society groups as the political climate becomes more open. Equally some Australian NGOs are turning to support Indonesia because of the country's debt crisis and the consequences for the poor. Others have become increasingly concerned with the civil unrest that has broken out in many provinces and the needs of people affected by these conflicts.

**Australian NGOs - years working in Indonesia**

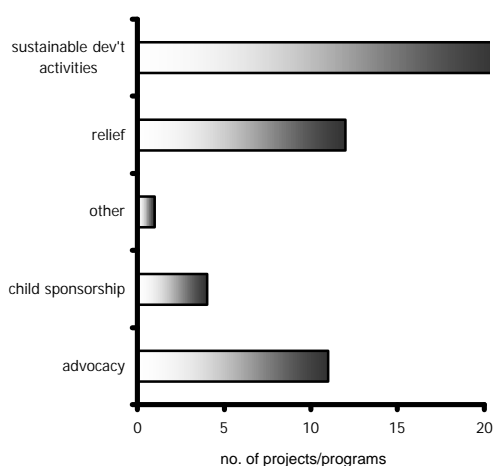


## Areas of focus and alliances

Nearly all of the NGOs surveyed support development activities in Indonesia. A small number of NGOs work involves child sponsorship but this is generally linked with broader community development activities. Just under half of all the organisations surveyed are involved in some form of advocacy work concerning Indonesia.

Seventy five percent of agencies work in Indonesia in alliance or cooperation with other regional or international networks or partners. In many instances these are the organisation's parent body. Other international networks that link with Australian NGOs include the World Council of Churches, Vision 2020: The Right to Sight, UNHCR, OCHA, UNICEF, Education International, Non-Violence International, and Transparency International.

**area of involvement of Australian NGOs in Indonesia**



## Emergency Response Capacity

Eight organisations have recently been involved in some way in supporting relief and emergency activities. Three of the larger organisations have the staffing and the capacity within Indonesia itself to respond to emergencies or humanitarian crises through their individual organisations. Other smaller organisations indicate that in emergency situations relief funds would be channelled through small partner organisations within the country. The Australian Red Cross (ARC) for example, sources money from AusAID that is then channelled through both the International Federation and the International Committee of the Red Cross to support relief activities in Indonesia.

### Australian Government Support

Twelve organisations have received funding through AusAID for projects or programs in Indonesia. Of these, all access these funds through the Australia NGO Cooperation Program (ANCP) except for ARC who channel HES funds, Australian Volunteers International who are funded through the volunteer program, and the Burnet Institute and Australia Legal Resources International (ALRI) which each manage a bilaterally funded project.

Access to AusAID funds for Indonesia has increased since a similar ACFOA survey in 2000, when only six organisations used some of their ANCP allocation for Indonesian projects.



Nevertheless, compared to AusAID support for NGO work in other countries in the region, the amount of funding being accessed is small, particularly given that there continues to be no access to funds through a specific Indonesia window. Feedback from several respondents to the survey indicated that despite the NGO sector's long engagement with Indonesia, lack of access to Australian Government funding restricts the ability of organisations to support sizeable programs within the country.

### Funding

The total amount of funds from all sources allocated to development work in Indonesia by the 26 NGOs responding to the survey amounted to \$5,782,279. This is for projects being implemented in 2000-1 financial year.

AusAID funding amounted to \$4,370,660 of the figure above, which amounts to 75% of all funds allocated. However, this figure includes the bilaterally funded health project in South Sulawesi managed by the Burnet Institute worth \$2.5million. If this project is excluded, AusAID funding for other NGO activities in Indonesia amounts to 59% of projects and programs undertaken.

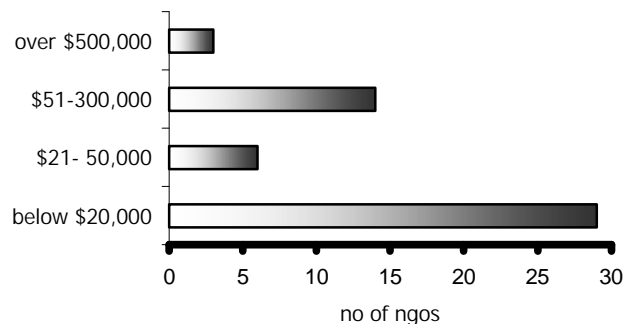
### Projects and Programs

During the 2000-01 year, NGOs supported 54 projects and programs. Appendix 1 gives details of current programs and projects being supported by Australian NGOs (agency names excluded) – showing the sectoral focus, the range and financial scope of their work. The number of people impacted by these programs is calculated at approximately 1.5 million. Reflecting the diversity of the sector, some agencies are supporting small succinct projects where allocated funds are as little as

\$3000. Other agencies are supporting broad integrated programs with funding commitments of up to \$500,000 over several years.

Time commitments to specific projects in general is between one to three years.

**Australian NGOs - amount of funding to Indonesia - Financial Year 2001**



The chart above shows that the majority of projects/programs funded by NGOs are below \$20,000, reflecting the general tendency of Australian NGOs to link with local partners in supporting specific projects. Only a small number of agencies run integrated long term programs within the country, and only one has bilateral funding to manage a large operation. The significance of funding smaller grassroots community development projects should not be underestimated. It fits well with AusAID's poverty reduction and civil society empowerment aims.

### Sectoral Focus

The main focus of NGO project work in Indonesia is sustainable community development activities with the aim of improving health and nutrition, agriculture, women's rights, educational standards and

the environment. Capacity building and training programs are being conducted in disaster preparedness, judicial issues and micro-credit. Some projects, particularly those focused on relief and on peace building are specifically in response to the political or ethnic instability and conflict that has occurred in Aceh, Papua and Maluku.

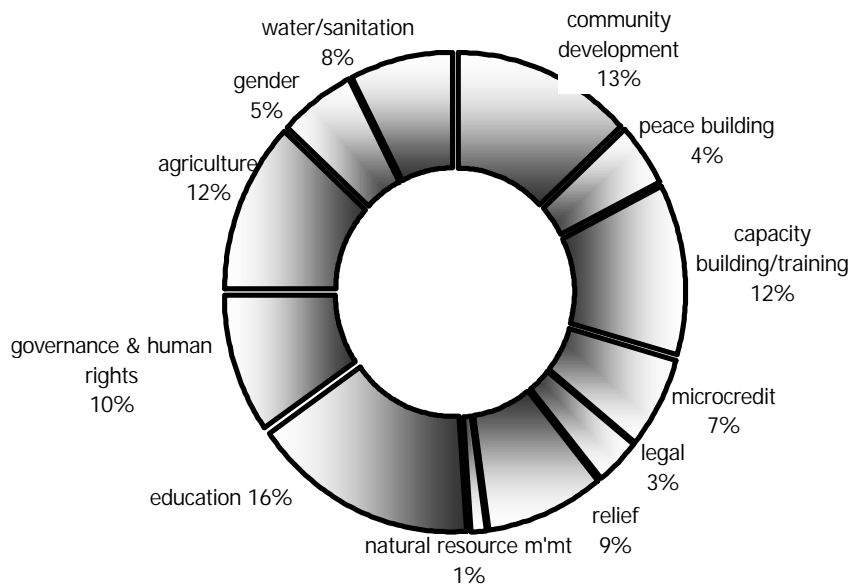
Most projects undertaken by Australian NGOs, particularly those organisations that have a broad development

mandate, have more than one sectoral focus.

A noticeable feature is that there are capacity building and training projects in nearly all sectors, including education, health, gender, human rights, emergency/humanitarian relief, peace building and reconciliation. In certain cases the focus of projects is narrowed to the specialisation of the Australian NGO.

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## NGO Projects and Programs: Sectoral Focus




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### Nature of partners in project implementation

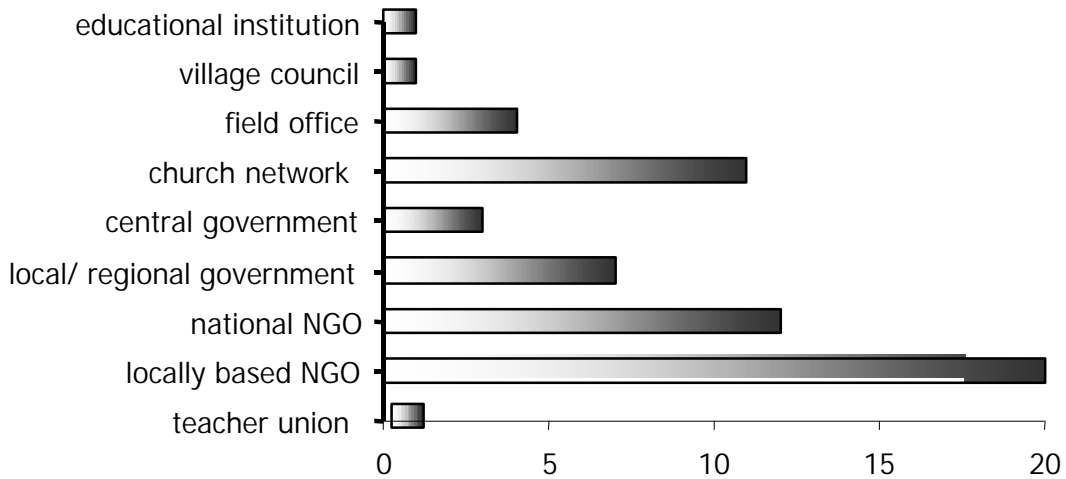
The majority of the NGOs surveyed work with locally-based NGOs - representing a commitment to community development at the local level. National NGOs are also frequent partners.

Partnerships are also with church organisations, field offices, education institutions, international NGOs, teacher's unions and village councils. In many projects NGOs work with

national NGOs, and government at the local/ regional level and central level, demonstrating a commitment to broad based development and networks.

The major shift in emphasis since the survey conducted in 2000 is the move away from emergency funding. This is accounted for by the fact that East Timor, which was the major recipient of these relief funds, is no longer included in the scope of this survey.

## nature of partner

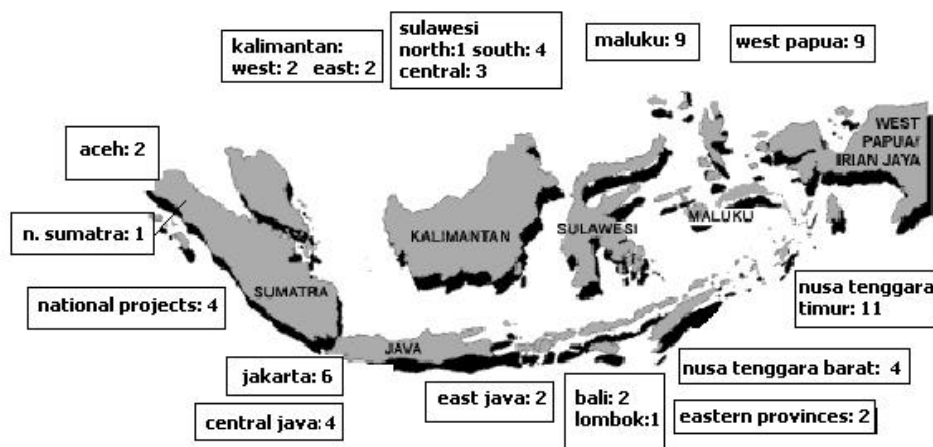


## Geographical Focus

NGO-supported projects are concentrated in the eastern provinces of Indonesia, which historically has been Australia's area of focus. As in the 2000 survey, there is a large number of projects operating in NTT, however there has been a shift in emphasis from the emergency focused work in West

Timor that many agencies were involved with two years ago. A small number of projects have a national focus. Political instability has meant some projects /programs have been suspended and that the geographic scope of operations has been reduced, particularly in areas where the safety of staff is an issue of concern.

## NGO Projects & Programs in Indonesia



The regions in which Australian NGOs are working, with the number of projects or programs in each area.

## Constraints to Development

Thirteen organisations identified constraints that they felt limited the potential impact of their programs in Indonesia. These fall into three main areas:

### 1. Political Constraints

The current political climate poses challenges for NGOs to operate to maximum capacity. Political and ethnic instability in some areas has meant a cessation of some projects because of safety risks to (local and expat.) staff. It has also limited monitoring and evaluation visits, and restricted the ability of some agencies to undertake programming for future work.

A lack of accountability between provincial and national government and limited supervision by local government of their own staff has caused difficulties with administration and approval of projects.

Another identified challenge was the problem of obtaining support and recognition from the different levels of government (particularly provincial level) for the importance of development programs.

Another issue was the slow flow of information between provinces and back to Australian (particularly in unstable areas) and the slowness in banking institutions with regard to transferring funds.

The bureaucratic and militaristic nature of the Indonesian government was found to be a constraint for a number of organisations, especially those concerned with human rights and

workers organisations, which both come under considerable official scrutiny. Sometimes communities that had been the focus of NGO empowerment work came up against local authorities accusing them of upsetting the peace and undermining the government. In addition, restrictions in gaining access to some areas of the country, particularly Papua, was mentioned as a constraint.

### 2. Local Capacity

The capacity of local partners was the second main area upon which the survey respondents commented. Development activities were often slowed down or impeded by the lack of capacity of local staff in areas such as reporting and accountability, and in management skills. Traditional practices and attitudes relating to the status of women or to child abuse have been challenging to Australian NGOs as they work to facilitate social change.

### 3. Funding Constraints

The third area that was mentioned as a constraint to development related to the Australian Government, and in particular to the lack of access to funds specifically for Indonesia through AusAID. The sensitive relations between the Australian and Indonesian governments means that often NGOs are not as well received by Indonesian government departments as other SE Asian countries. NGOs recognise this as a problem that Australian NGOs and AusAID need to work on together.

## Advocacy Activities

Organisations were given the option of detailing their involvement in advocacy and education activities in Australian and/or Indonesia. Eighteen of the 26 respondents replied to this section.

Many organisations have demonstrated their commitment to look beyond targeted community development work by combining it with a broader advocacy focus.

Results indicate that advocacy and public education are co-ordinated with other organisations including international partners, Indonesian counterparts, associations, other Australian-based NGOs, Indonesian NGOs, universities and government departments.

Examples of advocacy activities, strategies and outcomes were

- Support for an international criminal tribunal for East Timor.
- Participation in public debate in Australia on Australian-Indonesian relations.
- Support for democracy and civil society in Indonesia through a variety of democratic reform movements and issue-focussed advocacy networks.
- Promotion of a child centred development approach amongst partner agencies and other implementers that incorporates a child rights framework into programs.
- The decentralisation of government and administration in Indonesia has necessitated an increased need for decentralised child rights advocacy strategies.
- Commissioning a series of studies examining the impact of the Asian financial crisis on children in Indonesia. The *Beyond Krisman* report was distributed to leading Indonesian experts and policy makers in Australia, including ACFOA.
- Advocacy on worker's rights issues/human rights
- The work of Jubilee 2000, campaigning for the reduction of Indonesia's debt burden.
- Educational work about the democratic self-determination options for Papua.
- Promotion of a community development participative approach which has recently been assessed by the Indonesian Government as a quality practice which they want to adopt for community development nationally.

- Input into a quarterly magazine with issues that focuses on Indonesia, in order to help educate Australians about issues facing Indonesia.
- Seminars with Indonesian government officials on relevant development issues.
- Involvement in ACFOA's Indonesian Working Group, and working more with AusAID on policy.
- ACFOA policy work on the WTO and trade in consultation with INFID and the Indonesian government.

## **Public Education**

Another important component of Australian NGO work is in raising public awareness and support for development activities and human rights issues relating to Indonesia. While many organisations run public education campaigns that cover challenges that need to be addressed globally, some public education activities focus specifically on Indonesia.

Public education has involved public speaking engagements with community groups such as support groups, child sponsors, schools, Rotary Clubs and churches, and the production of publications such as newsletters, magazines, books and reports. The internet has provided a forum for posting details of projects and programs and broader advocacy strategies.

Some organisations have sponsored the visits of key Indonesian development and social change workers, and linked this with topical conferences.

## **Future Plans**

The survey asked respondents to indicate whether their organisation planned to be working in Indonesia over the next three years, and to provide specific project details if they had been formulated.

All but one organisation intended to have continued involvement in Indonesia. One organisation that is currently peripherally involved is about to begin a new five year project.

Aside from continuing with the existing focus of the projects and programs undertaken in 2000-01, NGOs have indicated some new directions, which are summarized (without agency names) in Appendix 2.

The main areas of focus for the future are in capacity building/training, health, community development, education and human rights. The geographical focus remains in the east, and partnerships for the future continue to be planned with either local or national NGOs. There is however, a slight increase in the number of organisations expressing the intention to engage with either regional or central governments. Estimated time commitment to projects average around four years.

## **Conclusion**

Australian NGOs continue a process of learning and evaluation – a process which necessarily must take account of the changing political and economic environment in which we operate. ACFOA's Indonesia Working Group is committed to closer cooperation with Indonesian NGOs and civil society generally as well as with official donors including AusAID and multilateral institutions.

ACFOA believes that greater cooperation between NGOs and official donors can and should enhance mutual objectives of poverty reduction, civil society capacity building, good governance and democratic reform. ACFOA trusts that this short survey will be a contribution to enhance cooperation and planning.

<b>Current &amp; Ongoing Projects/Programs in Indonesia supported by Australian NGOs</b>			
<b>Project/Program description</b>	<b>partner</b>	<b>location</b>	<b>project length</b>
NG= national government; LG= local government; NNGO = National NGO; LNGO= local NGO; IP = International partner; LP= local partner; CN= Church Network; VC= Village Council			a for each year ; ▶ =ong oing
<b>Health</b>			
* capacity building of local ministry/Dept of Health to deliver maternal & child health services to community health centres	NG, LG	SE Sulawesi	⇌⇌⇌
* HIV Responses for Vulnerable Populations in Bali: Training practising counsellors to provide pre- & post-test counselling. Training NGO staff in behaviour change communication strategies. Development & distribution of voluntary counselling & testing materials.	NNGO	Bali	⇌⇌
* Nutrition awareness among vulnerable families in E. Kalimantan, as part of a larger programme along with agricultural recovery	IP	E Kalimantan	⇌⇌⇌
* Early Childhood Care & Development: to improve the physical, mental & psychosocial growth & development of children living in poor communities of 3 provinces.	LNGO, LG	NTT, S. Sulawesi, E. Java	⇌⇌⇌
* Sumba Malaria prevention & control project: promotion of preventative measures to combat malaria, training of government & village based health workers & volunteers. Increasing access to bednets & treatment for malaria	NNGO	Sumba Is., NNT	⇌⇌⇌
* Rural Eye Care- Prevention of blindness: provide eye care & surgical services	EI	E. Java	▶
* Community based rehabilitation service focuses on children aged 0-14 with disabilities, & also includes vocational training, with village volunteers & field supervisors.	LNGO	Central Java	▶
* Community based rehabilitation program within poor communities	LG	N. Sumatra	▶
<b>Capacity building/training</b>			
* Training & workshops around the role & purpose of teacher unions, human rights education, ILO Conventions, financial and organisational structures - with objective of creating an independent & autonomous democratic union	Union	national	⇌⇌
* Empowerment of primary school teachers education: including gender & income development for teachers' families	LNGO	W. Kalimantan	⇌⇌⇌
* Training for independent trade unions through the Labour Centre	LNGO	Bandung, Central Java	⇌
* Christian NGOs Network in Indonesia. Information, Communication & documentation. Training, motivation & capability development, network development & advocacy	LNGO, CN	Jakarta	▶



* Disaster management: To build strategic & grass rooted disaster preparedness programs to handle natural & social disasters in the Eastern part of Indonesia. To develop skill & knowledge of regional/local organisations to understand the root causes & the impacts of disasters	LNGO, LP	W. Papua, NTT, Central Sulawesi.	▶
* Indigenous Peoples' Rights & Natural Resources To strengthen the capacity of advocacy work of Indonesian NGOs & community organisations in natural resources management & the rights of indigenous people, integrating a gender approach.	LNGO, NNGO, LP	W. Papua, Kalimantan, NTT & Sulawesi.	⇌⇌⇌
* Health & Human Rights Program: To strengthen the capacity of NGOs in NTT & W. Papua to conduct human rights monitoring, documentation, education & advocacy, integrating a gender approach. To facilitate a multi-level advocacy approach & strategy in order to influence policy change	LNGO, LP	W. Papua & NTT.	⇌⇌⇌
<b>Emergency/humanitarian relief</b>			
* To alleviate suffering & provide assistance to vulnerable people through the supply of food & nutritional supplies	CN	Jakarta	⇌⇌⇌
* Jakarta Floods Emergency Response: Initiate mobile peripheral health facilities for mothers & children under 5 in flood affected households. Initiate outreach activities to treat & monitor the outbreak of flood related disease among the community.	NNGO	Jakarta	
* Provide food & other essential items to victims of communal violence	LNGO	Central Sulawesi	
* Food & essential supplies for victims of communal violence	LNGO	Maluku	
* Provide basic assistance to victims of communal fighting in N. Maluku	LNGO	N.Sulawesi	
* Basic support for IDPs in W. Papua	CN	Papua	⇌
* Food, Medicine & Clothing	CN	Ambon	⇌⇌
* Provide shelter to families who had homes destroyed during civil unrest	CN	Maluku	⇌
* Assistance towards repair houses damaged/destroyed during civil unrest	CN	Bali	⇌
<b>Community Development</b>			
* Buton Community Development: to provide income generating opportunities for Butonese who fled fighting on Ambon	LNGO	Buton, S. Sulawesi	
Awareness campaigns on early childhood care and development, health education and habitat, development of water/sanitation systems, expanded formal/non formal education programs	NNGO LNGO	national	▶
* Child focused development, health, education & livelihood through child sponsorship program	LNGO, LP	national	▶
* Activities to improve health & nutrition, especially of children, improve the quality of primary education, increase agricultural productivity, encourage enterprise development	NNGO	Rote Is, NNT	▶
* Activities to improve health & nutrition, improve basic education standards & increase agricultural productivity	NNGO	W. Papua	▶
* Activities to improve health services & nutrition, improve basic education standards, increase agricultural productivity & diversity	LNGO	W. Papua	▶

* Activities to improve health & nutrition, the quality of primary education, to increase agricultural productivity & to encourage enterprise development	LNGO	Sumba Is., NNT	
<b>Legal</b>			
* Judicial training program : Workshops in Indonesia for judges on judicial performance & contemporary issues, with some judges travelling to Australia for comparative study	NG	national	⇔
* Supreme court workshops, legislative drafting training (regional), Supreme Court IT, Legal Resources & Human Rights training for NGOs	NGO, LG, NG	national	⇔
* Yaphe Legal Aid project involving research on human rights violations, advocacy, network program, library resources	NNGO	Surakarta, Kudus, Kebumen	⇔
<b>Peace Building &amp; reconciliation</b>			
* Peace Education project: development & revision of peace education curriculum specific to Aceh, training of teachers & youth leaders in curriculum, capacity building of local youth organisations	LNGO, LG, IP	Aceh	⇔
* Indonesia Local Capacities for Peace Project (LCP): establish a network of trained & experienced LCP professionals, integrate LCP practice into all relief & development programs in conflict-prone areas & disseminate promising practices & resources from LCP( with links to peace-building)	NNGO	national	
<b>Micro-credit</b>			
* Microcredit project involving 560 loans to the poor of Kupang, 340 poor people trained in business management, staff & board trained in microcredit	LNGO	NTT	⇔
* Women's microcredit cooperative: trained cooperative personnel in the community, loan & savings activity among cooperative members	LNGO	Jakarta	⇔⇔⇔
* Provision of micro-credit for women	LNGO	W. Timor, NNT	⇔
* Micro-Enterprise Loans: provide credit for the establishment of stalls at markets	CN	Maluku	⇔
<b>Agriculture/rural development</b>			
* Village Development: provide school buildings, furniture equipment, stock control walls, toilets, tanks, store cattle, forage crops, teacher training	LNGO	NTT(Semau)	⇔
* Village development: water tanks, toilets, wells, pigs, books- resources to enable villagers to buy material & undertake work	VC	Flores, NNT	⇔
* Increase fish catch & increase village incomes	CN	Maluku	⇔
* Increase rice production & income	CN	Maluku	⇔
* Pig Farming: Increase income & food production	CN	Maluku	⇔
<b>Education</b>			
* National Braille Press: produces literature, textbooks, teaching aids & long canes for the blind	LNGO	national	▶
* Classroom building & extensions in orphanage	LNGO	Lombok	⇔
* Australia- Indonesia Volunteer Teachers Project : increase the capacity of district education services to deliver English language training & education to students at junior high school level	LG	NTT	
* Tertiary scholarships fo Lani students	LNGO	W. Papua	

<b>Vocational Training</b>			
* Vocational training- Building, sewing, mechanics, agricultural development	LNGO	Central Java	⇒⇒
<b>Planned Future Projects/Programs in Indonesia supported by Australian NGOs.</b>			
<b>Project/Program description</b>	<b>partner</b>	<b>location</b>	
NG= national government; LG= local government; NNGO = National NGO; LNGO= local NGO; IP = International partner; LP= local partner; CN= Church Network; VC= Village Council			
<b>Health</b>			
Early Childhood Care and Development - training of early childhood care workers, education of families	NNGO	national	
health project	LP, LG	NTT, S. Sulawesi, E. Java	
Leprosy control programs, training for government health workers, health education in community and schools	NG, LG	S. Kalimantan	
Capacity building and training of eye care personnel, community based rehabilitation programs focussed on blindness prevention	NG, LG, LNGO	Java, Sulawesi, NTB, E. Kalimantan, W. Sumatra	
<b>Emergency/humanitarian relief</b>			
Emergency/humanitarian relief	LP, LG	Central Sulawesi, W. Timor	
provide assistance to IDPs	NNGO, LNGO	national	
<b>Community Development</b>			
Rural Agricultural and Health Transitional Programming - moving people from emergency situations to more sustainable livelihood settings	LP, LG	Kalimantan, Central Sulawesi, NTT	
Urban development program. Enterprise development, with a focus on small business, use of micro credit through local credit unions	LNGO	Surabaya	
<b>Legal</b>			
* civil society/ good governance project	LP, LG	Java	
* legislative drafting training at a regional level	NGO, LG, NG	national	
<b>Peace Building &amp; reconciliation</b>			
human rights monitoring and training - through creation of church based networks, rights education and abuse monitoring	CN	W. Papua	
*expansion of Protective accompaniment & peace education training in both Aceh and W. Papua	LNGO	Aceh & W. Papua	
<b>Micro-credit</b>			
Small Enterprise project	LG, LP	Java	
providing sustainable microfinance services to needy entrepreneurs in NTT, by increasing the breadth of outreach and service capability of local NGO, and installing global microfinance and banking technology	LNGO	NTT	

<b>Agriculture/rural development</b>			
* Improved forage crops- develop improved varieties of forage crops suitable for Eastern Indonesia	LG	W. Timor, NNT	
* Integrated conservation & development	LP, LG	E. Kalimantan, S. & Central Sulawesi	
* Water and Sanitation	LP, LG	S. Sulawesi, N. Sulawesi	
<b>Education</b>			
* Education project	LG, LP	NTB	
* Wamena Hostel: provision of water tank & rabbit hutches to enable students to complete studies	LNGO	W. Papua	
<b>Vocational Training</b>			
Vocational and agricultural training for people form the dry areas of Eastern Indonesia	LNGO	Bali	
ACFOA Indonesia Survey 2002			

## **APPENDIX 4: STATEMENT OF THE 13<sup>TH</sup> INFID CONFERENCE**

held in Yogyakarta, Sept. 29 – Oct. 2, 2002. “Inequality, Poverty and Impunity: the Challenges for Indonesia in the Era of Democratisation and Globalisation”

### **INFID**

#### **International NGO Forum on Indonesian Development**

##### **JAKARTA SECRETARIAT**

Jl. Mampang Prapatan XI/23, Jakarta 12790, Phone: # 62 21 7919 6721, 7919 6722, Fax: # 62 21 794 1577,

infid@nusa.or.id

www.infid.or.id

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#### **Statement of the 13<sup>th</sup> INFID Conference held in Yogyakarta, Sept. 29 – Oct. 2, 2002**

“Inequality, Poverty And Impunity:

The Challenges For Indonesia

In The Era Of Democratisation And Globalisation”We, Participants Of The 13<sup>th</sup> Infid Conference Believe That Indonesia Is In The Midst Of A Deep Systemic Transition Triggered By The 1997 Financial Crisis And The Aftermath Of Three Decades Of Military Dictatorship. We Further Believe That Since The Last Infid Conference In 1999 The Present Process Of Globalisation Has Increased Inequality And Poverty In Indonesia Today.

The heritage of the Suharto era is still overshadowing the current political process, and the excesses of crony capitalism continue unimpeded. Indonesia continues to face the severe effects of increasing poverty with over 50% of the population now living on less than US\$ 2 a day, and a debt burden that now exceeds US\$ 140 billion. The repayment of debt is having a dramatic impact on social policy, as expenditure on basic services continues to be reduced.

Efforts to address these concerns have fallen short on many levels. The process of decentralisation has many shortcomings with limited power and resources being transferred to the regions and municipalities. Where this has occurred, there have been serious problems of corruption simply moving from central to regional elites. The power and role of the military in society continues to obstruct democratic reforms. The Government of Indonesia (GOI) needs to strengthen its accountability to the Indonesian people. The military and police continue to commit human rights abuses and act with impunity.

Since 1999, non-governmental organisations (NGOs) have gained new freedom and opportunities to inform public opinion and to strengthen the capacity and voice of civil society. There is, however, a continuing need for the government to acknowledge and incorporate the contribution of NGOs into the development of government policy.

This Conference believes the present globalisation process is top-down, with consideration of the needs and views of the poor and the prospects for poverty alleviation left as secondary concerns. The agenda of the international financial institutions (IFIs) is dominated by a small number of industrialised country governments and multi-national corporations. There is an urgent need to democratise the process to ensure that there are equal access and opportunities for the poor to participate meaningfully in decision-making.

The participants of the 13<sup>th</sup> INFID Conference commit themselves to pursue the activities and initiatives set forth below:

In Indonesia, INFID will:

1. Monitor developments that obstruct the democratisation process at the regional and national level – particularly impunity for human rights violations and economic crimes;
2. Educate local NGOs and communities about the impact of World Trade Organization (WTO), International Monetary Fund (IMF), Asian Development Bank (ADB), and World Bank policies;
3. Work towards the realisation of a genuine process of decentralisation, where a significant portion of decision-making, and respective accountability, is located at the regional and local levels. NGOs should be actively involved in the shaping of this process by supporting the empowerment of the citizens to voice their aspirations and to exercise their rights;
4. Urge the GOI to provide a transparent military budget that discloses all sources of military income including revenues from military foundations and other off-budget sources. The GOI should also undertake as a matter of priority a comprehensive Defence Review to evaluate the real needs of the Indonesian military to carry out its legitimate duties;
5. Work towards the convening of (a) Social Summit(s) that will bring together all layers of society, including citizens from both poor and rich regions, to discuss and agree upon a social and economic platform to achieve the Millennium Development Goals (e.g. to half absolute poverty by 2015);
6. Call on the GOI to support an independent analysis of the potential impact on poverty reduction of the proposed global trade policies due to be considered at the next WTO Ministerial in Cancun. A new national trade agenda should be based on the results of this analysis, together with the results of a far-reaching public debate;
7. Call on the GOI to take all necessary steps to ensure that human rights, and especially women's rights, are at the core of all poverty reduction programs. Under Articles 34, the Constitution commits the GOI to pursue strategies and programs to reduce poverty. The right to a sustainable livelihood is the right of all people, and poverty cannot be eliminated without the realisation of human rights; and
8. Improve communication between local and national NGOs, sharing analysis and strategies on these issues.

At the international level, INFID will:

1. Pursue alternative solutions to reducing the debt burden of Indonesia through co-operation between international networks and local groups, including but not limited to support for a fair and transparent arbitration process;
2. Call on the WTO to prioritise sustainable development as the primary objective of the global trading system;
3. Call on the WTO and IFIs to make sustainable development the primary objective of economic policy and to prioritise their agendas accordingly; and
4. Urge members of the Consultative Group on Indonesia to encourage and support efforts by the GOI to undertake fundamental legal and judicial reform.

## **On CONFLICT, HUMAN RIGHTS, and IMPUNITY**

### **General Situation of Human Rights in Indonesia: Problem Analysis**

At the last INFID Conference, held in Bali in 1999, participants expressed their concern with the military's involvement in the legis-lative, executive and judicial functions of the government and the increase of the military's territorial role. The Conference called for civilian control of the military and for cessation of military involvement in the Indonesian economy.

We, the participants of this Conference, are beginning to lose hope after seeing the verdict of the case of the Ad Hoc Human Rights Court on East Timor and the continued lack of justice for human rights abuses, both past and present.

Since 11 September 2001, international attention to terrorism has provided an opportunity for the military to strengthen their position. The current draft laws on terrorism would in effect replace the Anti-Subversion Law, which was abolished after the fall of Suharto, and thereby destroy one of the achievements of the *Reformasi* era. The label of "terrorist" may be used as an excuse for the military and police to target civilians, rather than the government attempting to resolve conflict by negotiation. The last year has also seen a rise of military/police presence and human rights abuses in areas where there are independence movements, such as Aceh and Papua. Most of the victims of abuse have been ordinary civilians, in many cases women and children.

Perpetrators of these human rights abuses enjoy impunity, as have others in a wide range of areas. This has contributed to the prolonging of communal conflict, such as in Maluku and Poso, and clashes between military/police and peasants and labourers who are seeking their rights. Other repercussions of these conflicts include the eviction of people from their communal land and a military presence in economic activities to protect companies.

There has also been a rise in *premanisme* (gangsterism) and bombings. Political elites and even the military itself often use these means to achieve their political or economic interests.

We, the participants of the 13<sup>th</sup> INFID Conference, observe with grave concern the ongoing impunity for human rights violations that exists in Indonesia. We believe that impunity must be ended and that this will only be possible if factors that contribute to impunity are addressed. These factors include:

1. Under the New Order regime, the judicial system lacked independence and made decisions according to the will of the political elite. In other cases, bribes were common in purchasing of favourable decisions. If anything, reports indicate that corruption within the judiciary system has increased in the post-Suharto period.
2. The GOI has shown a lack of will in law enforcement, law reform, and judicial reform.
3. The GOI also has insufficient capacity, both financial and human, to adequately carry out its tasks.
4. For generations, Indonesian citizens have received inadequate civic education, resulting in a lack of understanding of the separation of the executive, legislation and judiciary. This was caused by the concept of the New Order ideology of the integralistic state, in which the state and the individual were seen as a "family", and there was intentional depoliticisation of the Indonesian public.

5. Perpetrators have felt safe from being held accountable, by making use of the "traditional values" of *islah* (forgiveness) and an inability to question authority, all of which has led to a high degree of acceptance and tolerance of crimes by high-ranking officials.

The process of overcoming impunity has begun, but to date, the final outcome has been unsatisfactory. For instance, the existence of the Ad Hoc Human Rights Court on East Timor was a major breakthrough, but the procedures, verdicts and sentences have been disappointing. The phenomenal Udin case in Yogyakarta has never been given serious follow-up.

### **Conflict, Human Rights, and Impunity: The Way Forward**

To strengthen human rights in Indonesia, it is necessary to overcome the impunity of perpetrators of human rights abuses.

Therefore INFID recommends that the GOI should:

1. Establish Ad Hoc Human Rights and Criminal Courts to investigate the cases of Tanjung Priok and the abuses in the aftermath of 1965;
2. Expedite the establishment of the Truth and Reconciliation Commission in order to seriously address past abuses of human rights under the New Order;
3. Address past agrarian conflicts and establish a commission for the restitution of agrarian rights. For existing and future conflicts, an Agrarian Court should be established;
4. Revise laws and regulations related to agrarian issues in accordance with the Decision of the People's Consultative Council on Agrarian and Natural Resources Reform (TAP No IX/MPR/2001 juncto TAP VI/MPR/2002) in order to prevent conflicts over these essential sources of livelihood;
5. Accede to the Rome Statute for the International Criminal Court;
6. Ratify the Protocol additional to the Geneva Convention of 12 August 1949, relating to the Protection of Victims of Non-International Armed Conflicts (Protocol II, 8 June 1977);
7. Continue the legal reform process in Indonesia, especially of the judicial system, and revise the Law on Military Courts, the Law on Judicial Power, the Law on the Supreme Court (*Mahkamah Agung*) and the Law on the Office of the Attorney (*Kejaksaan*);
8. Create a transparent military budget that contains both income from the state (APBN) and all other sources of military income, including income from military foundations and other off-budget resources. The results of the audit of military foundations by the State Audit Board (*Badan Pemeriksa Keuangan* or BPK) in 2001 should be published and made available to the public;
9. Conduct a comprehensive Defence Review to evaluate the needs of the Indonesian military to carry out its legitimate duties;
10. Reform the military, including the abolition of the territorial command structure and the creation of a professional military force for national defence;
11. Create a detailed timeline of the steps to be taken for military reform especially leading towards the elimination of off-budget income; all businesses run by the military should be turned in to state owned companies (BUMN).
12. Abolish *premanisme* and ban and disband para-military groups; and
13. Provide the Indonesian people with civic and human rights education, both officials so that they can carry out their duties properly, and the general population so that they can understand their rights and obligations.



INFID asks the international community to:

1. Establish an Ad Hoc International Tribunal on gross violations of human rights in East Timor;
2. Assist the Indonesian government with the Indonesian Defence Review;
3. Refrain from co-operation with the Indonesian military, and in particular, the United States should not continue or expand military co-operation with Indonesia unless there is major progress in human rights accountability and transparency;
4. Place strong conditionalities on export credit and guarantee agencies to prevent companies selling arms and military equipment to Indonesia;
5. Assist the Indonesian government and NGOs in providing civic and human rights education for the Indonesian people and to encourage and support independent monitoring mechanisms.

## **On DEBT and GLOBALIZATION**

Globalisation has profound yet poorly understood implications for Indonesia's development. People are suffering the impact of globalisation through the government's policies of deregulation, privatisation, and liberalisation imposed by the WTO, IMF, World Bank, and ADB, including the increased cost for citizens of education, health care, electricity, and other basic services. While some see globalisation as a vehicle to achieve increased prosperity, others perceive it as a force that facilitates exploitation and impoverishment.

A critical review of the interlocking issues of debt, trade liberalisation, and structural reform reveals the challenges of reforming the policies and institutions that drive globalisation at national and international levels. A common theme is the need for independent analysis of policy options, and fair, transparent, and participatory decision-making processes to ensure protection of the public interest.

### **Indonesia's Debt: Problem Analysis**

Indonesia's debt burden is not sustainable. Debt service, domestic and external, is expected to absorb an astonishing 45% of projected revenues in 2002, crowding out critical spending on health and education, and investment in infrastructure. Since the financial crisis, government spending on health and education has steadily declined.

The human costs of the imposition of fiscal austerity policies to support debt service are enormous. Unless Indonesia's debt burden is reduced, it will have no hope of meeting the Millennium Development Goals related to poverty reduction.

Indonesia's debt is the result of a confluence of factors dating from the political and economic policies of the Suharto era and exacerbated by the 1997-98 financial crisis. Liberalisation of the capital account in the late 1980s led to a large flow of foreign debt, while tying the hands of monetary authorities to restrict credit expansion. And the liberalisation of the banking sector without a sufficient regulatory framework in place led to excessive borrowing.

Projects and programs characterised by staggering levels of corruption, environmental destruction, and social conflicts were financed by the export credit and guarantee agencies of industrialised countries and IFIs. When these projects were exposed as not viable in the aftermath of the financial crisis, the Indonesian taxpayer was left to foot the bill.

The current macroeconomic approach to Indonesia's debt as promoted by the World Bank and the IMF – fiscal austerity, privatisation of state assets, and honouring international obligations while seeking to mobilise increased concessional aid – is clearly not working. This orthodox macroeconomic approach precludes public investments in vital infrastructure and services that could become a principle resource for sustainable growth. Five years after the financial crisis, Indonesia remains classified as a severely indebted low-income country, in company with such countries as Angola and Ethiopia.

Indonesia's huge domestic debt is the direct result of the IMF's misjudgement and the ensuing policy created a burden of Rp650 trillion (equivalent to US\$ 60 billion and representing 40% of the GDP of 1999). This is the largest cost ever occurring in the history of financial restructuring. After the recapitalisation of the private banks, the IMF exerted strong pressure on the GOI to divest the assets it held in the form of the banks' shares. This divestment, however, produced only relatively small revenue compared to the high costs of servicing the government bonds that had been issued to recapitalise those banks. INFID believes that the solutions currently promoted by the IMF and the World Bank, i.e. to refinance, to roll over, or to repay the bonds, is neither sustainable nor fair.

The privatisation program – specifically the sale of state-owned enterprises by simultaneous retention of the debts – has aggravated the domestic debt situation. The ballooning of the domestic debt has exacted tremendous economic and social costs on the Indonesian people, particularly the poor and most vulnerable.

The resolution of Indonesia's external debt problem is currently being handled by an international system that is fundamentally flawed and unfair. The sustainability of Indonesia's debt is assessed by the IMF and the World Bank, whose analysis is compromised by misleading and over-optimistic assumptions about Indonesia's growth rate, as well as by their status as creditors. In addition, forums for negotiation of debt relief such as the Paris Club are dominated by the interests of creditors, and do not provide for an equitable sharing of responsibilities. In 1998, 2000, and 2002, Indonesia was forced to seek rescheduling from the Paris Club, and it is highly likely that another rescheduling will be necessary in 2004.

### **Indonesia's Debt: The Way Forward**

INFID rejects the conventional wisdom that there is no alternative to current approaches to Indonesia's debt burden. INFID believes that there are alternatives to be pursued, both in the international system generally, and with regard to Indonesia's debt in particular.

At the international level, INFID believes that it is time to create new structures to deal with the debt issue. The IMF's proposal to create an international bankruptcy mechanism is a welcome admission that the current structure is ineffective, but INFID believes that the proposal is only a small step in the right direction. INFID calls on the international community to move aggressively to establish a new debt arbitration mechanism that is characterised by:

- Equitable representation of creditor and debtor interests;
- Transparency and independence in decision-making;
- Transparency and independence of assessment of debt sustainability and legitimacy;
- Priority given to safeguarding of social welfare in the debtor country as well as allowing for fiscal and monetary independence, and a fresh start for the debtor country.
- Independent monitoring and verification; and
- Initiation permitting a temporary moratorium on payments to creditors.

Also at the international level, the policies and practices of bilateral export credit and guarantee agencies must be reformed to pre-clude further financing of projects that add to the debt burden while causing social and environmental harm. Their decision-making must be made more transparent, and subject to social and environmental impact assessment procedures, international agreements on transparency and the environment, and the International Covenant on Economic, Social and Cultural Rights (ICESCR), especially the rights of food, housing, and health.

To address its external debt, INFID calls on the GOI to aggressively explore debt stock reduction. While working toward creation of an international debt arbitration mechanism, other measures should be immediately pursued, including seeking eligibility for Naples Terms for debt relief from the Paris Club creditors to allow a debt stock reduction of up to 67% for both bilateral and multilateral debt.

There is an urgent need for an independent assessment of the sustainability and legitimacy of Indonesia's debt. INFID believes that sustainability should be assessed based on its impact on poverty reduction and human development, and that up to half of Indonesia's debt must be erased if sufficient resources are to be devoted to those goals.

With respect to legitimacy, INFID believes that a significant portion of Indonesia's external debt can be classified as "odious" in light of the high levels of corruption that characterised financial transactions during the Suharto regime. INFID proposes that criteria be developed to define illegitimate debt, and that an independent audit be undertaken to determine the relevant share of Indonesia's debt burden that meets those criteria.

INFID believes that the problem of domestic debt will never be solved unless the privatisation program imposed by the IMF is completely abandoned or at least thoroughly revised. The underlying principle must be that the government has the freedom to pursue privatisation policies that minimise the cost to the public sector rather than prioritise private profit.

In the context of Indonesia's domestic debt, a particularly pressing issue is the approach to debt in the forestry sector. Recent decisions by IBRA and the Financial Sector Policy Committee to restructure debts owed by forestry sector companies on generous terms amount to a subsidy to the large conglomerates that are responsible for destroying Indonesia's forests. Most forestry based industry – particularly those with processing facilities that rely on illegal, unsustainable, destructive logging for raw material as well as indebted companies that have conflict with local communities – should instead be shut down.

### **Indonesia and the Global Trading System: Problem Analysis**

Indonesia joined the WTO in 1994 and has taken many steps to open its economy to international trade and investment. However, it is not clear that the international trading system is beneficial to developing nations like Indonesia, and there is concern about the direction of its evolution.

At the international level, it is clear that the institutional structures governing trade serve the commercial interests of industrialised countries and multinational corporations rather than the sustainable development objectives of developing countries. The asymmetry is evident in the relative capacity of negotiators from industrialised versus developing countries, the prioritisation of agenda items of interest to the North, and the relative strength of commitments that benefit producers and consumers in the North.

INFID is particularly concerned by the double standard implicit in the positions of industrialised countries – for example, concerning agricultural subsidies – and continuing reports of inappropriate pressures being placed on negotiators from developing countries by industrialised countries to change their positions in WTO negotiations.

At the national level, Indonesia does not have a clear and coherent trade agenda based on a rigorous assessment of the national interests at stake; nor has there been an informed public debate on the implications of alternative positions. Recent disputes over the imports (e.g. rice, chicken parts, sugar) have highlighted the threats to domestic producers posed by trade liberalisation. Recent hurriedly adopted legislation to comply with TRIPS provisions on plant variety protection has highlighted the government's failure to analyse the implications of compliance with WTO commitments and to consult with affected stakeholders.

Looking forward to the WTO agenda for the Cancun Ministerial, there is a likelihood that further commitments to liberalisation – such as in the investment and service's sectors – will constrain domestic policy options and preclude actions to promote environmental sustainability and social equity in Indonesia.

### **Indonesia and the Global Trading System: The Way Forward**

INFID calls on the WTO to prioritise sustainable development as the primary objective of the global trading system, and adjust its agenda accordingly. This requires a focus on implementation issues and a review of TRIPS prior to addressing further trade liberalisation initiatives. WTO rules should be structured in such a way as to preserve sufficient scope for national-level policy-making to ensure that national actions to promote sustainable development are not circumscribed.

INFID calls on industrialised countries to refrain from "arm-twisting" developing country negotiators, respecting negotiating positions that result from democratic processes. INFID further calls on industrialised countries to refrain from unilateralism in trade policies, and to achieve a higher degree of consistency between what they demand from developing nations and what they demand from themselves. In particular, INFID calls on the EU and the United States to review their trade-related positions detrimental to Indonesia's development.

At the national level, INFID calls on the GOI to support independent analysis of the interests at stake at the next WTO Ministerial in Cancun, with particular attention to the potential impact of new trade commitments on poverty. No new commitments should be made until a national trade agenda is formulated, based on the results of this analysis, and consensus born of wide public debate.

### **Structural Reform and Privatisation: Problem Analysis**

Indonesia is in the midst of a critical phase of a "systemic transition", both political and economic. To be sure, structural reforms – if not structural transformation – are absolutely necessary.

Regrettably, structural reform in Indonesia has thus far been driven by the so-called "Washington Consensus" that dogmatically imposes liberalisation, privatisation, and deregulation policies on countries around the world. While increasingly discredited, the Washington Consensus continues to demand deeper and fuller integration into the global economy without sensitivity to the interests, aspirations, and capacities of individual countries

and societies. Its prescriptions fail to address Indonesia's need for economic recovery, poverty reduction, social equity, and environmental sustainability.

In the realm of macroeconomic policy, INFID has seen how liberalisation unfettered by strong government and civil society institutions has contributed to economic collapse in Indonesia. In the realm of microeconomic policy, the privatisation and deregulation agendas threaten to repeat the same mistake. In an economy still characterised by crony capitalism and corruption, and a political system still suffering from weak regulatory and judicial institutions, privatisation threatens to further weaken the state's ability to protect the public interest.

The experience of Indonesia's electric power sector provides a cautionary tale relevant to structural reform and privatisation more generally. In the early 1990s, the rush to invite private sector participation in electricity generation as independent power producers (IPPs) resulted in increased debt for the country and higher electricity rates for consumers without addressing sustainable development objectives. Recently passed legislation on power sector reform will provide an important test of Indonesia's ability to develop effective independent regulatory frameworks.

### **Structural Reform and Privatisation: The Way Forward**

INFID recognises the importance of structural reform, but rejects the narrowly focussed approach limited to the imposition of orthodox economic policies. Instead, structural reform requires the deepening and consolidation of democratic processes as the best way to resolve contradictions and conflicts in the process of reform. At the same time, transparent and accountable institutions must be developed to protect the public interest. The pace of privatisation must thus be tempered by progress in the development of a social consensus on the goals of sector reform, as well as the development of appropriate regulatory institutions.

INFID therefore proposes that a national participatory process – a "peoples' summit" – be initiated to develop a social compact about the goals, modalities, and principles of structural reform. Such principles should include the protection of access to essential services by the poor, and the avoidance of inefficient and unaccountable private monopolies.

INFID recommends that the current program to privatise public services (water, electricity, transportation, telecommunication) should be halted until an independent assessment of costs and benefits for consumers and the public sector has been conducted. The recently passed Law on Electricity (2002) is flawed and should be reviewed and amended, since it legalises the privatisation of public utilities without considering the impact on the public sector and consumers. In the case of the IPPs (e.g. Paiton I), INFID advocates the re-negotiation of the current contract, since it was concluded under conditions ruled by corruption and collusion. A new contract should be based on the real demands for electricity and should reflect the international pricing level for electrical energy. Moreover, future plans to privatise other public services (education, health, etc.) should be subject to similar assessments.

### **On POVERTY and INEQUALITY**

Poverty and inequality remain major problems in Indonesia. Even when Indonesia was at its peak of economic growth and the number of poor people decreased, inequality was a blatant fact. A number of studies reveal that inequality increased in the 1990s and worsened as a result of the financial crisis. Analysts have further stated that inequality and poverty are not just the results of the financial crisis: economic injustice between the central government (Jakarta and

Java) and the provinces has existed for the past 32 years and results in a still widening gap. The decentralisation policy articulated in Law Nos. 22 and 25/1999 were meant to correct the situation, but so far the policy has not met expectations for a full devolution of power from the centre to provinces and districts. Furthermore, the law has been criticised as transferring corrupt governments from the centre to the provinces.

### **Poverty and Inequality: Problem Analysis**

Today, five years after the financial crisis began in 1997, the Indonesian economy remains weak and the recovery fragile and unsustainable. The huge debt burden and the various agreements with the IMF have limited the government's ability to jump-start the economy. The 1997 crisis has also produced severe inequality and poverty in Indonesia. Before the crisis, the number of poor people had decreased from 40% of the total population in 1976, or 54.2 million people, to 11.3% of the total population, or 22.6 million people in 1996. Since 1997, nearly 50 million people live in poverty.

Various Indonesian governments have sought to address the issue of poverty by developing a number of top-down poverty eradication projects such as Inpres Desa Tertinggal and Social Safety Net, which is charity-based. Basically, GOI programs for poverty eradication are based on two approaches: <1> fulfilment of consumption per capita and <2> family welfare assessments based on indicators such as house size, types of floor, availability of drinking water, availability of toilets, and ability to provide nutritious food. A family is considered to live above the poverty line when it fulfils these criteria.

The main flaw in these two approaches is that they develop a poverty definition that does not address the root problems of poverty and also ignores the voice of the poor themselves in defining poverty, as they understand it. As a result, poverty programs have not been sensitive to different characteristics of poverty in different geographical areas, and have created a dependency of the poor. They only seek short-term solutions and disregard the root causes of poverty, including unequal distribution of wealth, unequal access to assets, and the absence of opportunities for employment. Based on this analysis, it is therefore more appropriate to describe the situation as *structural* poverty and impoverishment.

Evidence gathered by Dhanani and Islam shows that inequality increased in the 1990s. The Gini-ratio went from 0.33 in 1990 to 0.36 in 1996. The trend after the 1997 crisis also shows that in rural areas the Gini-ratio (using the household income) went from 0.265 to 0.289. Currently, 50% of the Indonesian population live in poverty, with a daily income of less than US\$ 2. Poor and near-poor households coped with the crisis in several ways: by selling available assets, reducing consumption of micronutrient-rich food, cutting down on "non-essential expenditures", seeking livelihood in the agriculture or informal sectors, and migrating overseas.

In order to ensure that the well being of the citizens of Indonesia will be at the centre of development planning and implementation, rather than as a secondary consideration INFID believes that a human rights based approach to development is needed that includes women's rights based on the Convention on the Elimination of Discrimination Against Women (CEDAW), which is in force in Indonesia., Widespread povert, which has been present in Indonesia for many years, is not simply the product of the financial crisis, and can become the source of future instability and conflict. The social and economic injustice suffered by provinces and districts outside Jakarta and Java has existed for 32 years. The first post-Suharto government under President Habibie tried to correct the situation through the adoption of Law Nos. 22 and 25/1999 that provide the local and regional governments with greater power and

resources. The extent to which this decentralisation has fulfilled the aspirations of the local provinces and their people will have an important impact on Indonesia as whole.

The GOI has committed itself to taking actions through strategies and programs to reduce poverty. One way of showing its commitment is the establishment of the Poverty Reduction Committee (PRC) (*Komite Penanggulangan Kemiskinan, KPK*) "to take concrete measures to accelerate the reduction of the number of poor people in Indonesia"; "to formulate policy and guidelines for monitoring and reporting poverty and to prepare the poverty reduction strategy (PRSP) (preceded by the Interim Poverty Reduction Strategy Paper (I-PRSP)) in co-operation with the World Bank and the IMF.

INFID welcomes this initial step towards addressing the crisis of poverty in Indonesia. However, we would like to remind the public that as part and parcel to PRSP, and in the name of poverty reduction, Indonesia would be forced to simultaneously undertake structural reforms that undermine its efforts to alleviate poverty. These structural reforms include:

- The conversion of public to private assets through asset sales by IBRA, and through the privatisation of the state-owned companies;
- Financial sector reforms;
- New policies to promote investment in the energy and mining sectors; and
- New market-based agriculture policies.

In addition, structural reforms are explicitly excluded from the issues considered by stakeholders, particularly the poor, in consultations related to the preparation of the PRSP, thereby rendering such that consultations in-herently inadequate. Macroeconomic policies can greatly affect the poor and undermine possibilities for poverty reduction. It is there-fore essential that such policies, as well as other alternatives, be considered fully and fairly in the PRSP process.

### **Poverty and Inequality: The Way Forward**

The human rights of the poor should be the core principle guiding a poverty reduction strategy for Indonesia. These rights are entitlements, not charity, and must be guaranteed and protected effectively by all relevant governmental authorities. This also requires that the needs and rights of the poor are to be given priority in all relevant government policies, programs, budgets, and expenditures, which in turn must also be coherent and consistent, and ensure social security to the poor. In preparing this strategy The GOI should seek guidance from the "Draft Guidelines: A Human Rights Approach to Poverty Reduction Strategies" prepared by the Office of the UN High Commissioner for Human Rights.

1. The lack of consistency and coherence between those policies and programs aimed at poverty reduction, and those seeking macroeconomic reforms, must be addressed as a matter of priority. At a minimum, allocations for social spending and human development needs (health, education, housing, and the like) must be both included in relevant budgets and expended for the intended purposes, if poverty reduction is to occur. This has not uniformly occurred in Indonesian budget allocations for social needs.
2. The poor must have access and control of land and other natural resources, which should be regulated under a new agrarian law that would prevent the conflict of urban poor and indigenous peoples on land entitlement issues. To develop the land, the poor and indigenous peoples must have a means of access to affordable credit and capital.
3. The Poverty Reduction Strategy Paper for Indonesia:
  - must be the result of adequate consultation with affected groups and intended beneficiaries, particularly the poor, ensuring that women are adequately represented;
  - must be based on fairness and transparency;

- must take into account the results of a consultation process that considers macroeconomic issues and all others that are necessary for the strategy to be a consistent, coherent plan to alleviate poverty.
- Relevant regional authorities should participate in PRSP planning and consultation.
- The GOI must vigorously implement and enforce Articles 34 of the Constitution which commit the GOI to pursue strategies and programs to reduce poverty;
- The GOI should ratify the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social, and Cultural Rights.

### **Regional Autonomy: Problem Analysis**

Beginning in January 2001, Indonesia embarked on a program to decentralise many of the functions of government to districts and municipalities (*Kabupaten/Kota*). Law No. 22/1999 states that decentralisation is "the transfer of authority of the government by the Central Government to the Autonomous Regions within the framework of the Unitary State of the Republic of Indonesia," and that regional autonomy means "the authority of the Autonomous Region to regulate and govern the interests of local people according to their own initiative based on the aspirations of the people, in accordance with rules and regulations." In addition, the Government has introduced laws granting Special Autonomy to Papua and Aceh. On the other hand there is a perception among many representatives of the regions that regional autonomy is not just a "gift" that the central government present to the provinces and districts, but rather a right that the regions are want to exercise.

Laws No. 22/1999 and 25/1999 were quickly formulated and adopted during a difficult and transitional political situation. The decentralisation process has progressed with many inconsistencies and complications. Many local government institutions have been ill prepared to take on the responsibilities devolved under the regional government law, and the central government has been inconsistent in its implementation, with various ministries and non-ministerial agencies striving to retain or regain control of responsibilities that should be devolved. Several hundred implementing regulations and decrees issued under the framework of previous regional government and resource management laws have yet to be revoked or revised.

INFID supports decentralisation as a viable way forward in reforming government in Indonesia. However, we have concerns about the manner in which it is being carried out. Firstly, the process has been limited to the transfer of certain government functions, rather than a true devolution of political authority to regional and local communities. As well, the central government has retained full control and management authority of many important natural resources and economic sectors, which form the basis of livelihood for many Indonesian communities. There are also concerns that shifting management of a portion of government administrative and development budgets to the regions has introduced opportunities for increased corruption and misallocation of these funds. This is especially true since the transfer of authority circumvents the provincial level and is directed to the level of municipalities and districts, thus multiplying the number of possible stakeholders and the likelihood of corruption and self-enrichment.

INFID is concerned as well with the increasing administrative costs entailed, often at the expense of government services and development budgets. Regional governments have introduced numerous new taxes and user fees that place a disproportionate burden on local poor, as well as encourage natural resource exploitation that privileges short-term revenue gains



over sustainability or equi-tability. Several new districts and provinces have been created since the introduction of the law, further increasing the cost of the process as new bureaucracies are created to manage the newly established regions.

### **Regional Autonomy: The Way Forward**

1. The GOI should be consistent in its implementation of the decentralization process, confining its roles to those of setting standards, supervising, co-ordinating and specific regulatory functions (in addition to the seven responsibilities specifically retained by central government).
2. Laws No. 22/1999 and 25/1999 need to be urgently and comprehensively augmented with the still lacking regulations to ensure consistent implementation, without enforcing rigid uniformity of government bureaucracy at regional and local levels. The paragraphs pertaining to the election of the regional officers (governor, district chief, mayor) should be revised to allow for a direct election in order to strengthen the participation of the local population and to facilitate a regional development guided by the aspiration of the local population.
3. Criteria for the subdivision of provinces, districts and municipalities to create new regions should be enforced, in order to ensure that the establishment of new regions clearly leads to improved governance and improved services for local communities. Otherwise, such subdivision should be discouraged.
4. New measures to increase local government revenues should only be introduced in a transparent manner, after a process of consultation with local communities and other stakeholders. New taxes and user fees should not increase burdens on the poor, inhibit local small-scale enterprises or production, or hamper the inter-region movement and the exchange of people, goods or services.
5. Regional governments should foster democratic processes and institutions, and increase accountability to their constituents. Local government policies and performance should be subject to public oversight and correction.
6. Regional government policies, regulations, and programs should be conceived and implemented in a manner that takes into account customary institutions and practice, particularly in the realms of land and natural resource tenure, dispute resolution, and village governance.
7. Inter-regional cooperation is vital to the successful management of ecosystems and natural resources, and should be supported through appropriate policy and legal frameworks.
8. The "natural autonomy" of village communities is recognised in Law No. 22/1999. Local communities should be empowered to create and control their own village government institutions, in accordance with local norms and needs, stressing democratic participation in decision-making, transparency and accountability, and respect for human rights.
9. The special autonomy for Papua and Aceh should be granted fully and consistently, including authority over resource management and local governance. The laws, implementing regulations and institutions should evolve to accommodate the special needs of the citizens of these territories, free from the intervention of central government or military authorities.

Yogyakarta, 2 October 2002



## **APPENDIX 5: ACFOA - INFID MEDIA RELEASE, 20/10/02**

Sunday, October 20th 2002

### **INDONESIAN AND AUSTRALIAN COMMUNITIES JOIN FORCES FOR JUSTICE, SECURITY AND MUTUAL SUPPORT**

Today, in an unprecedented expression of support and solidarity and in recognition of the day of mourning in Australia, the Indonesian Forum for International Development (INFID) and the Australian Council for Overseas Aid (ACFOA) have joined forces to condemn the senseless act of terror in Bali and to call for closer social and economic cooperation relations between our two countries.

INFID with over 50 member organisations consisting of community groups, churches and NGOs across Indonesia and ACFOA, representing over 90 aid, development and human rights organisations in Australia, extend their sympathies to all those affected by this tragedy – the injured, the innocent victims and their families whether they be Indonesian, Australian or from other countries. Together we are calling for greater cooperation between Australian and Indonesian communities not only to strengthen regional security, but to continue to develop our close economic and social ties.

INFID Executive Director, Binny Buchori, reflected, " This incident reminds us that acts of violence and terror threaten the basic values of humanity and human rights regardless of borders and social groupings. The terrorist attack will no doubt make life more difficult for Indonesians exposing our people to greater economic hardship. It is at times like these that all of us committed to democracy, human rights and justice must work more closely together and insist that our governments do the same."

Both INFID and ACFOA stressed that their respective political leaders must take calm and measured steps which recognise that the great majority of Indonesian and Australian people, Islamic, Christian or otherwise, are peace loving. Both urged the formation of an independent commission of Indonesians and other nationals to bring the perpetrators to justice through the International Criminal Court. Both INFID and ACFOA also called on their governments to work for long-term solutions to terrorism by addressing UN backed solutions to the Middle-East, Iraq and to grinding global poverty.

"However while there are important measures for our politicians to heed, it is perhaps more important that our communities remain united. Neither Australians or Indonesians should ever resort to cowardly attacks on others just because of different faiths. If the long history of close family and social ties remains between Indonesians and Australians, hopefully we can rebuild together the safety and prosperity of our region," stated Mr. Jim Redden, Acting Executive Director for ACFOA.

For further information contact:

Binny Buchori, Jakarta, Indonesia 0011 62 21 79196721 or mobile 0011 62-816-1829836

Jim Redden, Canberra, Australia on 61 2 6285 1816 or mobile 0414 257 446