

JOINT STATEMENT

Regarding European Communities Development Aid for the Indonesian Government in Forestry Sector

By Forum of civil society organisations

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Background

1. During 1976-2000 the European Communities provided over 300 million Euros in development aid to the Indonesian government. This aid was distributed to bilateral development projects for various sectors in Indonesia. For the period 2002-2006, the EC has allocated 216 million Euros to various new and ongoing development projects programmed under the Country Strategy Paper.
2. The objective of the EC development policy is to reduce and, eventually, to eradicate poverty. This involves support for sustainable economic, social and environmental development, promotion of the integration of developing countries into the world economy and a determination to combat inequality. The European Communities' (EC) development policy is based on the principle of sustainable, equitable and participatory human and social development, as well as promotion of human rights, democracy, the rule of law and good governance.
4. The current EC development aid is outlined in the EC Country Strategy Paper (CSP), which is designed for a five-year period. The first CSP (2002-2006) focuses on two key themes, Good Governance and Sustainable Management of Natural Resource.
5. The EC allocates 91 million Euros to the forestry sector, making the EC the largest donor for the forestry sector in Indonesia.
6. The CSP implementation is divided into two National Indicative Program (NIP) plan, which further describe the EC's project plan and budget.
7. For the next second CSP (2007-2011) preparation, EC Council of Ministers have requested the European Delegations to do extensive public consultation with civil society. However, no mechanism has been in place to accommodate this need.
8. The legal base of EC's project implementation is formed in a Financial Memorandum (FM), which explains in detail about the project implementation and the rights and duties of EC and Indonesian government.

The forum wishes to express the following apprehension regarding the EC development aid in the forestry sector:

1. The development of the CSP and the NIP, up till the selection of the individual projects is highly opaque. During the allocation of funds, there is almost no public consultation, but only – if at all – consultation with the Indonesian government.
2. Although public consultation is an obligation under the EC development aid policy, in reality there is no mechanism involving civil society in development aid scheme in Indonesia in the various stages of the project cycles, from identification/formulation, implementation, or evaluation.
3. The EC development aid funds is not documented in the state budget, which leaves little public accountability of the development fund. The accountability of the ongoing

projects is questionable, since there are no public reports on the project spending available. In one project case, the civil societies observed fraudulent use of EC development aid.

4. Project identification of the EC development aid is executed with little or no involvement of the civil society. Project implementation provides no mechanisms for comments by civil society.
5. Synergy between the 6 ongoing forestry projects under the CSP is not obvious. None of these projects achieves the project goals set in the CSP. The projects do not address the issues defined in the CSP. Ultimately, the CSP itself does not reflect the real forestry crisis in Indonesia.

The forum demands/recommends:

1. Demand **public transparency by providing access for information** in planning and evaluation from the EC and the Indonesian government; including allocation and realisation of the development funds.
2. Insist on improved public consultation in creating the CSP and NIP by the EC and the Indonesian government, including consultation with indigenous peoples organisations and affected communities, as required under EC regulations.
3. Insist on improved synergy within the EC development aid, i) between the various forestry projects from the EC, ii) synergy between national and local authorities, iii) synergy between project and local authority (PEMDA) from the Indonesian government.
4. Insist the EC implements its development aid policy principles as prerequisites for the Financial Memorandum. This memorandum must emphasize the role of civil society in each project.
5. Insist Indonesian government to **develop financial monitoring mechanism** for the EC projects implementation.
6. Insist on transfer of data regarding project implementation and activities to related stakeholders of each project (including local authority and civil society).

The forum defines the following priorities:

1. Make the yearly audit reports for the relevant projects available for public scrutiny.
2. Ensure public involvement in the EC development aid for Indonesia, including the CSP 2007-2011 and NIP's project definition, as well as the project monitoring and evaluation.
3. Ensure public involvement project implementation, including the exit strategy and follow-up of projects.
4. Regarding the second CSP (2007-2011), the public involvement mechanism must be in place by 2006.

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6. SWAMI, Kendari, South East Sulawesi
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