

INFID  
Annual Report  
2003

**INFID**  
International NGO Forum on Indonesian Development

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## **I. Introduction**

2003 was an abysmal year for Indonesia, as violence and poverty continued to dominate the headlines. Tempo magazine called it the year of “malice and greed” because “we are still a long way from prosperity and security”. Bombings and outbreaks of violence continue to taint Indonesia.

Headline news during 2003 were the Marriot bombing and violence in Aceh, including the death of reporter Ersi Siregar amid the conflict in Aceh. In Jakarta, unemployment and violence became the harsh reality for thousands of poor people. At least twenty thousand migrant Indonesian workers were suffered mistreatment and cruelty at the hands of their employers – raped, left unpaid and abused, many of them lost their lives. From a human rights perspective, the state has a legal responsibility to promote, respect, protect and fulfil basic rights. For its citizens, the state is supposed to guarantee security and peace and take measures to prevent conflict. Crises result when it fails, or is unable to do so.

As for the economy, Indonesia finally ended the IMF programme at the CGI summit held in December 2003. This will allow Indonesia more freedom to organise its economic policies. However, because Indonesia still has a huge debt with the IMF and does not want to settle this debt immediately, it is required to continue the PPM (Post Programme Monitoring), which gives the IMF plenty of opportunity to involve itself in Indonesian economic affairs.

Through Presidential Instruction No. 5 of 2003, Indonesia prepared a white paper setting forth its economic programme for when the IMF programme ends. But, the economic programmes in this white paper are nothing new. This white paper is nothing more than a continuation of the IMF programme, which prioritises liberalisation, privatisation and deregulation. This is evident from the following:

- Economic growth depends more on private sector investment from abroad than on government investment and domestic investment.
- Macroeconomic policy (fiscal and monetary) continues to prioritise a balanced budget and tight monetary policy, despite the fact that what Indonesia needs is an expansionary economic programme to stimulate the real sector and create employment.
- There is no alternative policy solution for dealing with Indonesia’s debt burden.
- Continued divestment and privatisation of state-owned companies and banks.
- Continued privatisation of the state-owned enterprises, including in the finance and energy sectors, and in basic sectors such as water and power sector.

**Economic developments.** The Indonesian economy grew by 4 percent. Inflation was just 4 percent, the lowest for 20 years. The rupiah was strong and stable against the US dollar at around the Rp 8,500 mark, and interest on Bank Indonesia Certificates fell to 8 percent. The 2003 economic indicators were the best ever. In terms of the international “market”, rating agencies upgrade Indonesia’s rating.

Despite the improvement in some macroeconomic indicators (interest, rupiah exchange rate, Indonesia’s rating), many felt that this failed to address the three issues of industry, unemployment and investment. The national budget, which should finance and drive more rapid economic recovery, has in fact been unable to do so because: (a) tight fiscal and monetary policy continue to be adopted in Indonesia, and (b) the national budget is still saddled with Indonesia’s huge debt burden.

The Indonesian Chamber of Trade and Industry has stated that there is continuing deindustrialisation, examples being the reallocation of industry from Indonesia to China and Vietnam, the closure of (textile) factories, and, more generally, the stagnation of the real sector and manufacturing industry in Indonesia. This is partly due to the absence of necessary new investment from both the government and the private sector.

With regard to employment, economic growth of 4 percent during 2003 was able only to absorb a maximum of half of new job seekers. It is estimated that there are around 40 million unemployed actively seeking work and half of the total number of unemployed are awaiting new job opportunities. To absorb the estimated one million or more new job seekers each year, Indonesia’s economy needs to grow by at least 5 – 7 percent. According to economist Chatib Basri, this will require investment amounting to 28 – 35 percent of GDP. Meanwhile, foreign investment in Indonesia has yet to return to its pre-crisis level.

**Political developments.** The Indonesian House of Representatives has passed many new laws. While Indonesia needs more laws to protect its citizens, many of these new laws, such as the bill on investment, the bill on water, the law on state finances and so on, have been passed merely to meet the demands of international financial agencies such as the World Bank and the IMF. Meanwhile much-needed laws, such as a bill on truth and reconciliation and the child protection law, have been few and far between. In October this year, Indonesia had....

An important development in 2003 was the formation of the Anti-Corruption Commission. The establishment of this agency raised hopes that Indonesia would have a strong institutional instrument to fight against corruption, similar to those in other countries, such as Malaysia and Hong Kong. Prior to this,

Indonesia set up a Constitutional Court chaired by Prof. Jimly Asshidiqi. The function of this court is to conduct independent judicial review of the interpretation and implementation of laws, including laws and regulations concerning political disputes.

## **II. 2002 INFID Programme**

Throughout 2002, INFID carried out the programmes set forth in its three-year programme plan. These programmes were: Debt Campaign, MDBs and ODA Watch, Support for Democratisation Initiatives, and the internal Administration and Personnel programme.

With regard to the debt campaign programme, during 2002 INFID carried out a series of activities to help solve Indonesia's debt problem, including conducting research; presenting argument and analysis for a comprehensive solution to Indonesia's foreign debt problem; engaging in dialogue with decision makers, such as the Indonesian government, the House of Representatives, and creditors; and raising public awareness how they are affected by Indonesia's debt burden and encouraging them express their aspirations about Indonesia's debt problem.

The lesson learnt from implementation of the debt campaign programme during 2002 was that the current mechanism for settlement of foreign debt is inadequate and an alternative solution to Indonesia's debt problem is needed. Foreign debt, for example, could be settled through debt arbitration, which offers the best and most fair solution for countries in crisis. Regarding Indonesia's domestic debt, INFID felt challenged to develop arguments and analyses to provide input as regards the best and most efficient mechanism for dealing with the restructuring of banks and for solving the domestic debt problem in such a way that the burden would be fairly divided between the GOI and the IMF. INFID also felt the need for public support in the carrying out of its advocacy work, and in 2003, INFID focused on the area of debt research, the scope of which included foreign loans, domestic debt, factors causing debt and the impacts of debt on the public. INFID also intends to establish a coalition with other parties.

Activities carried out during 2002 in implementation of the MDBs and ODA programme were monitoring and documentation of projects and policies of the World Bank and bilateral donors, with particular focus on the PPK programme (funded by the World Bank), the Bili-Bili Dam project in South Sulawesi (financed by bilateral funding from Japan), and privatisation of the power and water sectors and state-owned enterprises, as well as IMF macro policy. INFID also engaged in dialogue with decision makers, including the GOI and members of the CGI; worked in cooperation with networks both in Indonesia and abroad to build a critical, well-informed network capable of conducting

advocacy. INFID also worked to strengthen groups and civil society by providing information about the roles of the CGI and IMF, and about public sector privatisation policy.

Lessons learnt from the MDBs & ODA programme during 2002 include: to the expected outputs of advocacy through dialogue, as carried out by INFID, cannot be achieved in a short space of time, and the indicators used to measure these outputs include the quality of documents produced, the readiness of delegation members to engage in advocacy and dialogue, and the response to recommendations or demands put forward by INFID. INFID also feels that it is important to make visits to creditor nations and international financial institutions in order to clarify the civil society perspective of Indonesia's economic and political problems and to provide information to the public in CGI member nations about the implications of various economic and political policies for the Indonesian people, so that serious consideration will be given to these factors in policy-making and decision making.

As well as debt and MDB & ODA advocacy work, INFID also has a mandate to provide continued support for pro-democratisation initiatives. Activities carried out included influencing public opinion regarding the importance of civil supremacy, which can be achieved only if the military is responsible and accountable to the public. In the campaign for economic, social and cultural rights, INFID's role was more that of support and facilitator for organisations carrying out advocacy these rights. INFID also continued to expand and strengthen networks, as well as support and facilitate organisations involved in humanitarian solidarity work. INFID also felt the need to participate in efforts to promote the establishment of an independent constitution commission and a new constitution that guarantees the interests of the people.

During 2002, INFID also supported advocacy for conflict resolution by providing assistance, support and facilitation for the activities of human rights activists. Lessons learnt from this programme were: indicators of the process of transition towards democracy are not limited to changes in public policy, but must also be seen in terms of the extent to which this work influences public opinion and becomes a tool for public education, as well how many new ways and strategies are adopted. In pressing the democratisation agenda, INFID and other NGOs feel the need for more serious work as a coalition, rather than working as separate organisations, while giving more attention to the division of tasks and doing systematic work.

In 2002, INFID held its 13th Conference, which was followed by the INFID General Assembly, in Yogyakarta. INFID also held two INFID Board meetings. To strengthen the INFID Secretariat, the INFID Foundation re-registered at the South Jakarta District Court; a Debt Campaign Programme Officer was recruited; a volunteer was recruited to work as International

Relations Officer; evaluation and planning of the INFID work programme was conducted; there was in-house journalistic training for all INFID staff; and the Planning, Monitoring and Evaluation (PME) system was upgraded. INFID also continued to improve the Secretariat internal communication system to ensure better coordination between divisions.

### III. 2003 INFID Programme

#### III.1. Debt

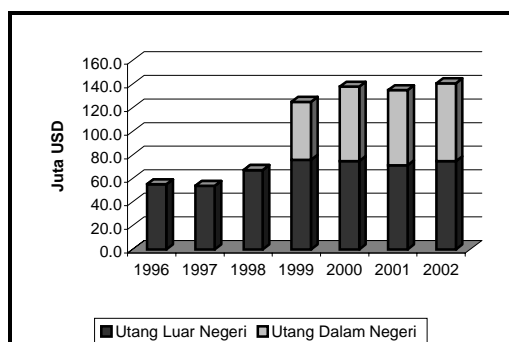
##### III.1.1. Goals

To reduce Indonesia's dependence on foreign debt and ensure debt-related processes proceed in a democratic manner; to ensure foreign loans are used for the poor and the disadvantaged; to ensure that no transfer of private debt to public debt occurs; and to push for create effective legislation to regulate debt agreements.

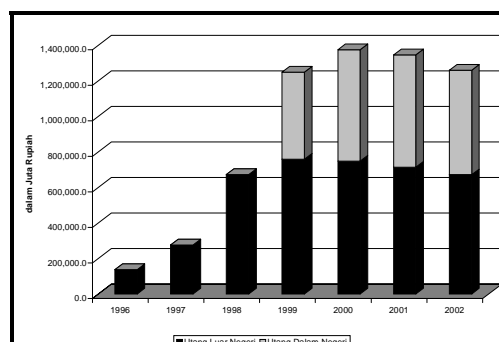
##### III.1.2. Problem analysis

As of the end of 2002, total government debt had reached Rp 1,260 trillion (**Table 1A** and **Table 1B**), comprising foreign debt of Rp 672.3 trillion (USD 74.7 trillion) and domestic debt of Rp 588.6 trillion.

**Table 1A**  
**Government Debt (in USD)**

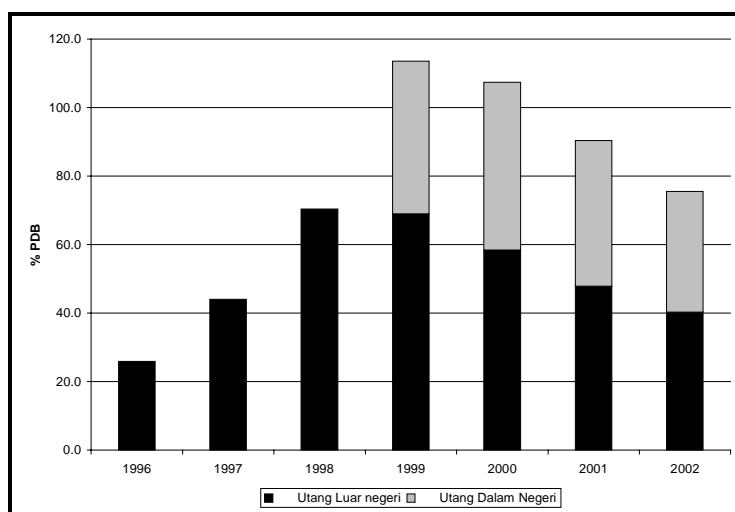


**Table 1B**  
**Government Debt (in rupiahs)**

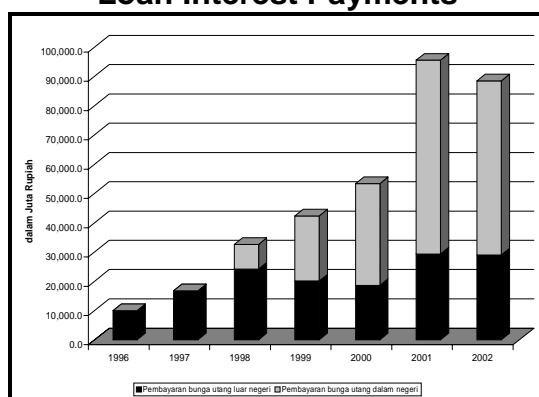


Although the debt to gross domestic product (GDP) ratio has reduced significantly since 1999 (**Table 2**), the loan interest payment to domestic revenue ratio remained around 25-30% in 2002 and 2003 (**Table 3** and **Table 4**). This limited the allocation of development funds in the national budget, especially for subsidies and public services.

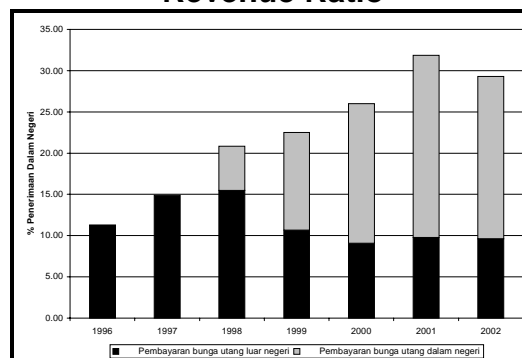
**Table 2**  
**Debt to GDP Ratio**



**Table 3**  
**Loan Interest Payments**



**Table 4**  
**Loan Interest to Domestic Revenue Ratio**



The Consultative Group on Indonesia (CGI) mid-year review in June 2003 did not even touch on the issue of debt as a whole, particularly the sustainability and legality of loans disbursed during the Soeharto regime. Representatives of creditors (led by the World Bank) present at this meeting even praised the GOI for taking measures consistent with the Washington Consensus (liberalisation, deregulation and privatisation). According to Boediono (Finance Minister), there are four basic aspects to the debt problem:

- The debt to GDP ratio will reduce to below 70% by the end of 2004;
- Without the Paris Club, the fiscal deficit will increase by 1.5% of GDP in 2004;
- The government will continue reprofiling domestic debt and will repurchase recapitalisation bonds;



- d. The government will issue new bonds on the domestic and international markets.

Although creditors recognise Indonesia's debt burden, at the 13th CGI Summit in December 2003, they remain committed to disburse loans amounting to USD 3.4 billion. This exceeds the amount committed by creditors at the 12th CGI summit. The National Development Planning Agency (Bappenas) has reported that only around 50% of CGI loans are absorbed into programmes and projects. The remainder cannot be used because the GOI is unable to meet the necessary criteria.

The performance of the Indonesian Bank Restructuring Agency (IBRA) fell far short of expectations over the five-year period from 1998 to 2003. No headway has resulted from measures to revive the national banking industry. The cases of corruption involving Bank BNI and Bank BRI reveal just how poor monitoring of national banks is. In general, the crisis in the banking industry has impacted on, among others: interest rates, the exchange rate, public confidence and confidence in the ability of bank managers, and competition between banks (**Nasution**, 1998; **Serian Wijatno**, 1999; **Cole and Slade**, 1998; and **Colin Johnson**, 1998). The sharp rise in interest rates to 70% in 1997 sparked problems for the banking sector. The cost of funds increased, causing loan interest to multiply. Growth in earnings in the real sector has lagged behind interest rates, although businesses with a daily or weekly turnover of business have reaped huge profits. Funds that could have been used to stimulate the real sector could only be used to purchase low interest Bank Indonesia Certificates, resulting in negative spread.

**Table 5** shows the cost of bank recapitalisation in various countries as a percentage of GDP. Indonesia has used up 60% of GDP. The expected outputs were not achieved for the following reasons:

- a. The adoption of a political approach rather than an economic approach, including intervention by debtors having close ties with the government, in this case the Indonesian Bank Restructuring Agency (IBRA). As a result there was no independence and transparency, as evidenced by the low asset recovery rate of 20% - 40%.
- b. The lack of professionalism of the management of banks receiving funds.

**Table 5**  
**Cost and Duration of Bank Recapitalisation**

<b>Country</b>	<b>Cost (% of GDP)</b>	<b>Duration</b>
Sweden (1991- 1995)	4-5%	4-5 years
Chile (1981-1983)	19-41%	5-6 years
Mexico (1994-1995)	12-15%	2-3 years
S. Korea (1997-1998)	30-50%	5 years

Indonesia (1997-2000)	60%	unknown *)
Developing Countries	13-20%	2-3 years
Industrialised Countries	< 10%	4-6 years

Source: *Asiaweek, Time, FEER and Business Week, various issues*

\*) Recapitalisations have been numerous

The major weaknesses of the Indonesian banking industry, according to **Widigdo Sukarman** (1999), are: the lack of professionalism and quality of personnel; the use of traditional banking technology; limited capitalisation; weak leadership; poor integrity of bankers; and weak bank supervision/control. In general, it was expected that with restructuring banks would be more healthy and be managed by capable management and personnel, and supported by investors with a vision for the development of the bank. In terms of quantitative indicators, with bank restructuring the capital adequacy ratio (CAR) would comply with the BIS standard of 8% by 2001, problem loans would be less than 5%, there would be community savings & loan institutions and insurance agencies, good governance would be adopted, and there would supervision and control of banks.

Data produced by the World Bank show that the GOI's debt repayment liability as of 2001 was Rp 136 trillion, or the equivalent of 45 percent of projected revenue. Of this figure, Rp 59.5 trillion consisted of interest payments on domestic loans; interest payment foreign loans accounted for Rp 29 trillion; Rp 3.9 trillion constituted repayment of domestic loan principle; and Rp 44 trillion was for repayment of foreign loan principle. As a comparison, this amount was 40 times the annual budget for the Social Security Network (SSN), which, on average, is only around Rp 2-3 trillion. Furthermore, according to the chair of the National Development Planning Agency (Bappenas), this domestic loan payment liability is the equivalent of between 25 times and 175 times the average annual figure for new loans obtained by the government (**Bappenas**, 2002), and overall, the total debt liability is the equivalent of three times the entire budget for the public service sector, including the military, and eight times the national education budget (**Ramli**, 2002).

**Table 6**  
**Government Debt Liability, 2002**  
**(in trillions of rupiah)**

	Interest	Principal	Total
Foreign debt	29.0	44.0	73.0
Domestic debt	59.5	3.9	63.4
			136.4

**World Bank (2001)**

IMF facilities (see **Table 7**) during the period 1997 – 2003 strengthened foreign reserves to the tune of USD 15.1 billion. A huge amount, yet none of these funds could be used, only deposited at Bank Indonesia. Conversely, the Indonesian economy continued to contract as the result of various IMF policies such as the sale of the assets of state-owned enterprises, removal of subsidies, and tight budgetary policy.

**Table 7**  
**Agreements between Indonesia and the IMF (1997-2003)**

	Date of Agreement	End Date	Access		Amount withdrawn <sup>4/</sup>	
			SDR billions	USD billions	SDR billions	USD billions
Stand-by Arrangement (SBA) <sup>1/</sup>	5 November 1997	25 August 1998	8.3	11.4	3.7	4.9
Extended Fund Facility (EFF) <sup>2/</sup>	25 August 1998	4 February 2000	5.4	7.2	3.8	5.2
Extended Fund Facility	4 February 2000	31 December 2003	3.6	5.0	2.9	4.0

Source: Department of Finance

Key:

1/ The SBA initially provided access of Rp 7.3 billion. This figure was increased to Rp 8.3 billion in July 2003. A term of three years was initially agreed for the SBA, but it was replaced by an EFF in August 1998.

2/ The EFF initially provided access of Rp 4.7 billion. This figure was increased to Rp 5.4 billion in March 1999. A three-year term was initially agreed for the EFF, but this was renegotiated in February 2000.

3/ The second EFF was extended for one year in November 2000.

4/ Total amount withdrawn as at the end of each plan, and as at the end of June 2003 for the current EFF.

### III.1.3. Main Activities and Achievements

The INFID debt programme goals would be very difficult for INFID to achieve alone. In 2003, the most recent year of the main INFID programme, INFID adopted various strategies.

#### III.1.3.1. Priority Issues

During 2003, INFID prioritised measures to solve the domestic debt problem and disseminate the concept of fair and transparent arbitration to policy makers.

##### III.1.3.1.1. Domestic Debt Arbitration

All measures designed and adopted to resolve the domestic debt problem have tended to focus on protecting the interests of creditors rather than strengthening the financial position of debtor nations through debt relief. Debtors, therefore, are required to bear the entire burden. One of the most feasible solutions in this unfair situation is to adopt a process of fair and transparent arbitration (FTAP), a neutral institution with the capacity to facilitate a more equal relationship between debtors and creditors that takes into account the basic needs of debtors. Stakeholders such as labour unions and civil society need to be engaged or asked to provide testimonies regarding the burden borne by the public.

Bearing in mind the urgent need to change the mechanism for resolving the problem of foreign debt, the IMF, through Anne Krueger, put forward a proposal for the establishment of a "Sovereign Debt Reduction Mechanism". This proposal contains none of the arguments previously put forward by the IMF in opposition of international arbitration. The underlying philosophy or motivation for the adoption of this international procedure needs to be examined. The principles underlying the adoption of arbitration vary from one country to another. As examples, in Germany, the principle is to accommodate the interests of creditors; in France, the aim is to curb unemployment; and in the US, it is to give debtors a fresh start. Unfortunately, however, discussion of this sovereign debt reduction mechanism simply evaporated during the IMF Spring Meeting in 2003.

Jurgen Kaiser, an Erlassjahr activist from Germany, argues that the Paris Club and London Club discriminate against Southern hemisphere debtors. This discrimination flouts the principles of national arbitration schemes in industrialised countries. The goals, structure, decision-making processes and maps of the "strengths" of existing mechanisms, i.e. the IMF, World Bank, Paris Club and London Club, are just the tools of creditors to protect their own interests; they do not strengthen the financial position of debtors through debt relief.

Debt arbitration is not a new concept for Indonesia, which at the beginning of the 1970s adopted this kind of measure. Long before that, in 1953, debt arbitration was adopted for Germany following World War II. Most recently, was the debt arbitration for Costa Rica in 1994, although this was subsequently cancelled by the US government.

#### **III.1.3.1.2. Financial Reengineering of Domestic Debt**

In 2002 and 2003, several economists and capital market observers were concerned by the option chosen by the government to deal with domestic debt. Analysts believe that reprofiling the due dates of interest and principle payments on recapitalisation bonds merely reset the time bomb. They are concerned that this will trigger a crisis like the one in Argentina, within the next

five years. Several groups of economists proposed alternative solutions for refinancing domestic debt. In 2002, PASPORP (*Pengkajian Alternatif Solusi Penyelesaian Obligasi Rekapitalisasi Perbankan* –Research for an Alternative Solution to Bank Recapitalisation Bonds), an independent team under the auspices of Bappenas, proposed five options for dealing with the problem of recapitalisation bonds. These five options were: (1) asset to bond swap; (2) realignment of the capital adequacy ratio; (3) irredeemable interest-bearing bonds; (4) acquisition of recapitalised banks; and (5) collection of recapitalisation bonds. If one, a combination, or modification of these five options were to be adopted, this would mean a substantial saving for the national budget.

A study conducted by a team from Indonesian Academy of Economics and Banking (*Sekolah Tinggi Ekonomi dan Perbankan Indonesia* – STEKPI) and INFID in 2003 using models of financial reengineering produced two models: (1) financial reengineering in the recapitalisation of banks, and (2) security mechanism.

Financial reengineering in the recapitalisation of banks involves three steps. The first stage involves (1) share acquisition; (2) strategic-acquisition alliance; and (3) restructuring and recovery of NPLs managed by IBRA. The second stage involves (1) market bonds, and (2) purchase of NPLs. The third stage is negotiation (especially for recapitalisation bonds in general circulation). This third stage involves, among others:

- a. Moral suasion
- b. Offer of business opportunities
- c. Extending or bringing forward the withdrawal of recapitalisation bonds.

Adoption of this model would reduce domestic debt by between Rp 142 trillion rupiah (pessimistic scenario) and Rp 180 trillion (optimistic scenario).

The second model (security mechanism) is used in anticipation of the privatisation of banks before the withdrawal of recapitalisation bonds, as well as to confront the challenge of settling recapitalisation bonds, this model can be indirectly used to improve the accountability of management of state funds. The assumption is that all security objects must be valued and managed in an open and transparent way. Bappenas and several leading economists predict that 30% of the budget cannot be accounted for, so adoption of this model would promote good corporate governance in management of state assets. Based on this assumption, it is predicted that transparency in management of state assets would improve to such an extent that redemption of recapitalisation bonds would be possible, even without the funds raised from the sale of these securities.

### **III.1.3.2. Programme Areas**

In 2003, the INFID Debt Campaign programme carried out various activities to achieve its goals. These activities can be grouped into four categories.

#### **III.1.3.2.1. Policy Research and Publication**

INFID in cooperation with STEKPI conducted research on domestic debt, which examined the possibility of using financial reengineering as a solution to domestic debt. A series of focus group discussions were organised and various stakeholders attended to give their input. The findings of this research were also presented to the Minister of Finance, Vice Chair of IBRA and to the public.

During 2003, the Debt Campaign programme issued the following publications:

1. Book: Washington Consensus “Washington Consensus (Kesepakatan Washington): Liberalisasi, Deregulasi, Privatisasi”, [“The Washington Consensus: Liberalisation, Deregulation, Privatisation”], a collection of articles by Joseph. E. Stiglitz.
2. Book: “Republik Pasar Bebas : Menjual Kekuasaan Negara, Demokrasi dan Civil Society kepada Kapitalisme Global”, [“Free Market Republic: Selling the State, Democracy and Civil Society to Global Capitalism”], a collection of articles by Susan George.
3. Anti-debt comic for public circulation “Siapa Berutang, Siapa Membayar” [Who Wins, Who Pays].
4. TOT module for NGO activists, “Panduan Pelatihan Anti Utang” [“Guidelines for Anti-Debt Training”].
5. Book: “Arbitrase Utang : Penyelesaian Menyeluruh Masalah Utang Luar Negeri Indonesia” [“Debt Arbitration: The Complete Solution to Indonesia’s Foreign Debt”].
6. VCD cartoon animation entitled “Siapa Berutang; Siapa Membayar” [“Who Wins, Who Pays”].
7. Briefing Paper for CGI campaign: “Utang Indonesia Pasca Program IMF” [“Indonesia’s Debt after the IMF Programme”].

#### **III.1.3.2.2. Campaign Support**

One campaign activity targeting **students** was a **public debate road show on campuses** on Java and Sumatra. Public debates were held at ITM Medan, Universitas Parahyangan Bandung, UBAYA Surabaya, UMM Malang, Universitas Negeri Jogjakarta, UNS Solo, IAIN Semarang, STIE UBH in Padang, Universitas Pakuan Bogor, and ITB Bandung. For this road show, INFID collaborated with economists Dradjad Wibowo, Faisal Basri, Ichsanudin Noorsy, Revrisond Baswir, and Rizal Ramli. Also, the Debt Campaign

programme was involved in a public policy advocacy workshop organised by the University of Indonesia (UI) Student Executive Body, which was attended by representatives of student executive bodies from throughout Indonesia. INFID also participated as speaker at a national seminar at FISIP UI on the theme "Planning the Future of Indonesia in the face of the Challenges of Globalisation and Democratisation", held at the UI campus in Depok. Responding to an invitation from Forum LSM DIY, which organises an introductory general studies course at the GMU University Centre, INFID attended to give a presentation on Indonesia's debt profile to undergraduate and graduate sociology and politics students on GMU campus and nearby campuses.

**For the public**, INFID organised a **seminar** and book launch entitled "Washington Consensus: The Path towards the Pit of Poverty". The main message of the seminar, which was attended by speakers Faisal Basri and Andrinov Chaniago, was to remind the GOI of the imminent end of its cooperation with the IMF. In 2003, in anticipation of the end of the cooperation with the IMF, INFID organised an international seminar on the topic of Indonesia's debt after the IMF. Attending this event were DR. Rizal Ramli from Econit and ministers from St. Anna and the Philippines, and Frances Seymour from WRI acted as facilitator. Also attending this event were representatives of international financial institutions (World Bank, ADB) and embassies, journalists, NGO activists and government representatives. During the course of discussion there was an interesting debate on the government's white paper, which, according to Rizal Ramli, amounts to nothing more than a collection of sectoral works from each of the departments. There is no harmonious integration regarding the direction of strategy for economic recovery.

Bringing up a theme aside from the IMF, INFID and the Anti Debt Coalition organised a **public debate at the House of Representatives' press centre**. Speakers at this event were Revrison Baswir, Drajat Wibowo, Hotman Paris Hutapea, Radja Siregar, and members of parliamentary Commission IX. During these presentations, parliament members, economists and presenters alike were of the opinion that Indonesia had not benefited much from five years under the guidance of the IMF. They even stated that the mandate of the MPR decree for Indonesia's exit from the IMF programme at the end of 2003 should be implemented immediately.

For **academics**, INFID collaborated with STEKPI and capital market analysts to organise a **public form and research presentation** on domestic debt. Attending as speakers were Dandossi Matram (member of the PASPORP team) and Fenny F. Mandang (STEKPI), who presented the findings of research on the adoption of financial engineering as a solution to domestic debt.

In commemoration of the 50th anniversary of the London Agreement, INFID wrote and **sent letters to** the German, US, British, French, Canadian and Italian **embassies**. This agreement, which was signed on February 27, 1953, formed a benchmark for the comprehensive debt solution. Germany, as the largest debtor at that time, was granted debt relief. The letter composed by INFID was part of an international campaign pressing for debt settlement processes to emulate the London Agreement.

Making use of AM radio to broadcast information to marginal listeners, INFID organise a **radio talk show** on the problem of Indonesia's debt on Radio Safari Jakarta. As well as speakers from INFID, the talk show also featured speakers from KIKIS (Andik), KAU (Kusfiardi), Institut Sosial Jakarta (Azas Tigor Nainggolan), Urban Poor Consortium (Budi), and YLKI (Tulus Abadi). In addition, in support of demonstrations calling for an end to relations with the IMF, INFID also organised radio broadcasts on four private radio stations (IN FM, Safari AM, News FM, Mercy FM) on the theme of "Trying the Crimes of the IMF in Indonesia". These were broadcast simultaneously to put pressure on members of the legislative (MPR) at its annual assembly to recommend to the government to put an end to the work programme with the IMF in Indonesia.

Along with KAU and JARI, INFID organised a **public forum** on the topic of "Trying the Crimes of the IMF in Indonesia". This event, held in Senayan, was attended by 600 people from a wide range of communities (women, urban poor, pedicab driver associations, labour, informal sector, etc). The purpose of this forum was to provide a balance to the ongoing annual assembly in the parliament building. The event closed with a **long march** to the DPR building to present a public petition, which was received by AM Fatwa and several other members of the legislative (MPR).

To protect the legitimacy of marginal groups, INFID in cooperation with BISMI organised a **public debate with the people of Ciliwung** in the Chinatown area of Jakarta. The topic discussed was the impact of domestic debt on ordinary people, especially those living in Ciliwung. In addition, INFID responded to many invitations from various community-based organisations, social organisations and religious organisations to give presentations on Indonesia's debt.

#### **III.1.3.2.3. Network Building**

INFID recognises the importance of participating in international networks that are actively involved in the issues of debt and globalisation. During 2003, INFID participated in several international meetings, as follows:

**Tobin Tax Conference** organised by New Rules for Global Finance in Washington DC. This conference discussed NGO activist campaigns and



advocacy to promote the Tobin Tax as an alternative for preventing currency speculation. Although at the end of the conference it was difficult to form a consensus, several joint key agendas were agreed on. There was a general consensus that the Tobin Tax could be used as alternative way of financing development that was in line with the Monterey consensus.

INFID was joining NGO intervention in the **Sovereign Debt Restructuring Mechanism (SDRM) Conference**. It was organised by the IMF in **January 2003** in Washington DC. At this event, Ann Petifor from Jubilee Research argued that FTAP was a simpler and more practical alternative to SDRM.

As a long-standing partner of NOVIB, INFID was invited to the **NOVIB Partner Meeting** in Bali. This meeting discussed NOVIB advocacy programme for the period 2004-2007, which includes fair trade and corporate social responsibility campaigns. INFID commented that NOVIB should take a more active role in work to consolidating the movement in Indonesia with the movement in Europe, and this should not just be a campaign for the Dutch government.

INFID attended a **press briefing** on the output of the **Regional Jubilee South** conference at Hotel Cemara, Jakarta. Attending this event as speakers were Revrison Baswir and Radja Siregar (Indonesia), Lidy (Philippines), Shelly (Fiji) and Gopal (India). The panellists presented their viewpoints of debt as an instrument of colonialisation. Jubilee South proposed the formation of an international debt tribunal.

**Open Society International**, represented by Henry Parham, a **Publish What You Pay** campaign coordinator, invited NGOs in Jakarta to take part in a discussion. INFID, along with WAHLI, TI Indonesia, and Pokja PA-PSDA attended this meeting, which discussed opportunities for cooperation between NGOs in Indonesia to campaign for resource-based companies and industries to report their budgets to the public.

As an affiliate member of European debt and development groups, INFID attended the 2003 **Eurodad Conference and General Assembly** in Prague. This meeting discussed the progress Eurodad has made in its advocacy campaign on the issues of debt and poverty. The participants criticised the policies of international financial institutions for their hypocritical use of acronyms they themselves have coined. The meeting also discussed opportunities for cooperation and joint advocacy between Eurodad members in 2004.

INFID played an instrumental role in the birth of the **NGO Coalition Against Presidential Instruction No. 5/2003**, the purpose of which is to pursue legal action against government policy extending cooperation with the IMF. A series of workshops to draw up the lawsuit was followed by press conference. In early 2004, this lawsuit will be officially filed at the district court.

#### **III.1.3.2.4. Management Information and Facilitation**

As a member of the **Indonesian Working Group on Forest Finance (IWGFF)**, INFID **met with the World Bank** to discuss the restructuring of forestry industry assets, which is under the control of IBRA. During this meeting, IWGFF expressed its concern about the present method of restructuring because of its potential drain on state finances. Furthermore, sustainable forest management is threatened by the return of former owners. IWGFF was received by World Bank representatives Andrew Steer (Country Director) and Tom Walton (World Bank environmental specialist).

INFID, JARI, Debt Watch Indonesia, and the Anti-Debt Coalition held a strategic meeting at INFID. On the discussion agenda were sharing experiences and the 2003 activity plans of each of the organisations, as well as the possibility of cooperation between these organisations. An agreement was made to work in cooperation on the issue of the public's options regarding the ending of relations with the IMF. The opening of the MPR annual assembly in August 2003 was set as a tentative date for this.

INFID in cooperation with PMII Solo and Samaunt organised a **focus group discussion with Islamic students** from Solo municipality and regency. Attending the discussion were 30 delegates from various regions. It was agreed that the students would disseminate the issue of debt to other students and also work to seek an alternative solution based on the relevant principles of Islamic law.

A **Training of Anti-Debt Trainers for NGO Activists** organised by INFID was attended by 27 participants from various cities in Indonesia. This three-day event included various kinds of training. At the closing session, the participants agreed to draw up a joint action plan, using the MPR annual session as an opportunity to raise the issues of "Split with the IMF" and "Pro-People Budget for 2004".

In preparation for a public forum on August 5, 2003, to coincide with the annual session of the MPR, INFID in cooperation with KAU and JARI organised an **IMF Exit Policy Workshop** at Hotel Cemara. This meeting discussed the people's options for exiting the IMF programme. Attending this workshop were representatives of various NGOs in Jakarta, as well as Revrisond Baswir and Ichsanudin Noorsy from the Indonesia Bangkit Team.

INFID was invited to attend a **meeting with the Indonesia Country Assistance Strategy Development Team**, organised by the Japanese government at the Japanese embassy. Of the five NGOs invited and confirming their attendance, only INFID and Bina Desa actually attended the meeting. At this meeting, INFID proposed a shift in the focus of ODA Japan

from infrastructure projects to social infrastructure. Also, INFID recommended that infrastructure projects financed by ODA Japan should not be tied aid. The next step is to push the Japanese Government to consider a debt swap (for poverty and education) to resolve the problem of Indonesia's debt stock.

#### **III.1.4. Lessons Learned and the Way Forward**

**Inadequate public support** for INFID's debt advocacy programme is a central weakness in the campaign to reduce Indonesia's debt. Although the public are aware of the extent of debt burden (polls by Kompas 2002, Suara Pembaruan 2002), but turning this awareness into action is extremely difficult. Various forums and public education events organised by INFID ended there. Various innovations such as public debates on debt on campuses, which were attended by thousands of participants, were ultimately not incorporated into student action agendas or work programmes. On a positive note, an increasing number of NGOs are trying to communicate the issue of debt along with the issues their communities promote. The high level of interest in Indonesia's debt problem among grassroots organisations is also an indicator of the dissemination of the debt campaign.

This limited public support was exacerbated by the **attitude of the bureaucracy and politicians, who tend to be reluctant to adopt new initiatives** in dealing with Indonesia's debt problem. They tend to take a conservative stance and kowtow to the IMF and World Bank. The refreshing news is that some bureaucrats have had the courage to go against IMF debt policy. In 2003, the National Development Planning Agency (Bappenas) issues a critical statement of the role of the CGI and also facilitated a team of experts to conduct research into alternative solutions to the domestic debt problem.

Overseas, however, there was no lack of consolidation in the debt movement. Various NGO activist groups and religious organisations are gaining strength in the campaign to reduce third world debt. In Germany especially, a **working group on Indonesia's debt** has been set up on the initiative of Jurgen Kaiser.

The Debt programme work plan for 2003 was **realised almost completely**. Activities that could not be carried out were lobby and the road show to Japan as part of the CGI campaign. Although Indonesia's debt has not reduced drastically, the achievement of the INFID debt programme in 2003 was **quite encouraging**. Support from local academics helped to disseminate the concept of INFID's debt advocacy concept. Not to be forgotten is the role and assistance of international NGO activists in raising the issue of Indonesia's debt at the international level.

In view of the progress made and challenges encountered in the INFID work programme for the period 2000-2003 (especially 2003), **INFID makes the following recommendations** for the 2004 work programme:

- Although the IMF programme in Indonesia ended in 2003, because Indonesia's debt to the IMF is still large and exceeds its quota, Indonesia remains under the close supervision of the IMF through its Post Program Monitoring (PPM). Therefore, **INFID needs to study and document the impacts arising during the period of PPM** (especially on the debt burden).
- The CGI will continue to exist throughout 2004. Therefore, **INFID must be more active and speak more loudly at CGI summits, especially with regard to solving the debt problem** as whole by looking at progress towards the achievement of Millennium Development Goals for Indonesia for 2015 and the status and level of Indonesia's Human Development Index (HDI).
- In terms of the Fair and Transparent Arbitration Process (FTAP), **INFID must be more active in networking with German NGOs and the German government to make Indonesia the pilot project** for this concept. Regarding the concept of financial reengineering as a solution to domestic debt, INFID must continue to communicate the findings of the PASPORP and STEKPI teams to officials in the Department of Finance and Bank Indonesia, as well as to the IMF and World Bank.
- In terms of public campaign, **INFID should focus more on supporting campaigns planned by its participants and partners**, rather than conducting public campaigns itself. Facilitation and synergy of NGO debt campaigns is an essential strategic choice for INFID.

### **III.2. MDBs**

#### **III.2.1. Goals**

##### **III.2.1.1. Program Goals**

- a. To seek ways to make CGI, ODA and IFI forums focus more on the poor and social justice objectives.
- b. To ensure that economic liberalization does not exacerbate the suffering of marginal groups and destruction of the environment.

##### **III.2.1.2. Program Outputs**

- a. Identification of potential cases of corruption and misuse of funds through monitoring

- b. Community groups aware of the existence of projects and programmes through regional workshop and monitoring
- c. Recommendations from the public for policy changes in projects and programs
- d. Contact between various forums and the IMF to influence policy
- e. Public dialogues to elicit ideas for reform of the IMF and MDBs
- f. Published materials and books for the general public on alternative concepts

### **III.2.2. Problem analysis**

In 2003, the Indonesian economy showed no signs of recovery. This was largely the consequence of neo-liberal economic policies. According to Mohan Rao (2002), neo-liberal principles were evident in both macroeconomic and monetary policy, as characterised by the following:

- (a) Despite some relaxation, the main feature of fiscal and monetary policy continued to be a dependence on tight fiscal and monetary control as a means of keeping inflation low to the detriment of the real sector and broader economic recovery.
- (b) Dependence on foreign markets and capital as the driver of economic recovery. Government and the national budget were unable to play a role in driving the domestic economy because of tight fiscal and monetary policy.
- (c) As a consequence of its commitment to the IMF programme, Indonesia has lost its economic sovereignty. The reason for this is that most economic policy decision-making continues to be steered by institutions like the World Bank and IMF. What is more, there has been no evaluation of the existing economic programme, and the IMF Post Economic Programme was given the go ahead through Presidential Instruction No. 5/2003.

In technical terms, these features are evident in the Lol, the focus of which is liberalisation, deregulation and privatisation plus good governance programmes.

The government has also prepared a PRSP, which in fact only recipient countries of debt relief through the HIPC programme are required to prepare. In Indonesia's case, however, preparation of a PRSP has been made a condition for securing more loans or grants, including World Bank facilities and soft loans (IDA).

**CGI Forum.** Along with the IMF and World Bank, the CGI forum also shares responsibility for Indonesia's economic crisis. The CGI has become a forum for rubber-stamping Indonesia's economic programmes, providing funding support for and endorsing economic programmes that will not necessarily help

Indonesia out of the economic crisis. Some of the problems with the CGI are: (i) within the CGI forum, there is no debate about types of economic programmes; what it does is use IMF and World Bank economic analyses. This is evident, for example, with regard to the issues of debt and privatisation. Despite this, the CGI forum claims to be a development forum, not a business forum; (ii) the CGI governance forum is driven by the interests of creditors and donors rather than the interests of the Indonesian government; (iii) the involvement of civil society in the CGI as an observer, is nothing more than good “PR performance” on the part of the World Bank as coordinator of the CGI forum, as the participation of civil society is on an invited, or at most, “sharing information” basis, and is in no way a process of joint-decision making.

Recently, the National Development Planning Agency – Bappenas (2003) published the results of its study on the “Role and existence of the CGI in Indonesia”, which was an attempt by Bappenas to think about how the role and existence of the CGI could be improved. One of its recommendations was that “the CGI forum should be chaired by the Indonesian government, not the World Bank, after a preparatory period of two years.” This is in line with the recommendation made by INFID two years ago in the results of its evaluation of the CGI summit.

Over the past three years INFID has repeatedly pressed for reform of the CGI forum, both in terms of its governance and the economic analysis used by the forum in assessing the Indonesian economy. INFID among others has repeatedly proposed that there be:

- Reform of the CGI organisation and institution so that the Indonesian government has a voice in CGI processes and decision-making.
- Independent evaluation of the economy and the debt burden, in order to get a second opinion for a better economic programme.

As a consequence of Indonesia’s huge debt burden, the national budget is under continued pressure, and with this deficit the government continues to defend the CGI forum as a donor forum that provides loans and grants each year. This year, there have been two CGI summits: the first in January, which should have been held at the end of 2002 but was postponed in the wake of the Bali bomb tragedy, and the second in December, for the 2003 period. At this second summit, Indonesia again obtained new loans and new grants.

**Privatisation of the Power Sector.** In September 2002, the Electrical Power Law was passed by parliament. As a result, PLN, the state power utility, is undergoing many changes, mainly towards privatisation of this state monopoly. PLN and the government in general are as yet unable to meet public demand for electrical power, to which all citizens are entitled, nor are they able to meet the demands of industry.

Privatisation of the power sector, it is said, will enable Indonesia to meet ever-increasing demand for electricity and will create conditions of competition that will make PLN more efficient and less wasteful of state funds. The public and electricity consumers, however, are concerned that: (1) many citizens and households are still without electricity, and the cost of getting a connection is increasing daily; (2) for households that have a connection, electricity tariffs are rising day by day, even though the service PLN provides is often poor; (3) the public are also aware that contracts between PLN and private electricity companies made in the past have placed a huge burden on PLN and the government because PLN is forced to purchase electricity at prices far above the international market standard.

**Privatisation of Water Resources Sector.** With a loan from the World Bank (WATSAL – Water Resources Sector Adjustment Loan) the Indonesian government is in the process of restructuring the entire water resources sector in Indonesia. One of the key conditions required of the Indonesian government before the final tranche of this loan is disbursed is ratification of the Water Resources Bill. However, this bill, in essence, will transfer our water resource sector into the hands of the private commercial companies.

In other words, the purpose of this Bill, which consists of 100 articles, is none other than to give the private sector a free rein to trade in water and water resources. This Bill will also serve to legitimise privatisation that has already taken place, such as privatisation of the Jakarta District Water Utility (PDAM Jakarta).

**World Bank and Bilateral Projects.** The Kecamatan Development Programme (*Program Pembangunan Kecamatan – PPK*) is a poverty reduction program funded by the World Bank and implemented by the Department of Home Affairs. Now in its second stage, this programme targets a large number of kecamatan (sub-districts), and villages, across Indonesia. This project is the pride of the World Bank, because, according to the World Bank, it is a bottom-up project and has proven effective in reducing rural poverty. Community groups are asked to submit project proposals to village and kecamatan heads. And on this kind of mechanism, the project is run. The main features of the Kecamatan Development Programme are that the funds are managed directly the kecamatan and programme proposals come from community groups.

**Poverty and the PRSP.** The Indonesian government expects to complete the PRSP by May 2004, as stated in Presidential Instruction No. 5/2003. However, learning from the experience of other countries, there are a number of concerns:

- The PRSP is a new SAP, old goods repackaged. SAP is the liberalisation and privatisation policy (“anti-State” in economic jargon, allowing the free market to maximise its role), which is now more generally known as Washington Consensus or neo-liberal economic policy, and has proven a failure in Africa, Asia and Latin America.
- The preparation of the PRSP is steered largely by financial institutions such as the World Bank and IMF, rather than the country concerned, because poor and developing countries are forced to prepare this document as if it were a condition for securing new loans or grants.
- There is no link between the PRSP and other development documents.
- Donor influence is excessive, particularly in terms of macroeconomic policy, as in the case of trade liberalisation, financial and labour policies, as well as privatisation of state enterprises and services.
- Even though they are meant to be engaged actively in the preparation of the PRSP, the public, especially the poor, has no say in the process.

In collaboration with the anti-poverty coalition GAPRI, INFID influences the process and content of the PRSP prepared by the Indonesian government, which will form the basis of development programmes and loan agreements between Indonesia and donor nations. INFID, together with GAPRI, has engaged in monitoring and advocacy, which aims to:

- (a) ensure that the PRSP genuinely reflects the voice, needs and rights of the poor. To achieve this objective, a genuine PPA needs to be conducted in order to document and present the facts and causes of poverty as seen by the poor.
- (b) ensure that there is policy evaluation/review (PSIA), so that the starting point of the PRSP is past experiences and mistakes.
- (c) ensure that the PRSP process engages the poor, or at least representatives of organisations that have been working with the poor.

### **III.2.3. Main Activities and Achievements**

In terms of themes or issues, activities, and focus of activities, INFID activities can be categorised into four main themes or issues: (i) CGI; (ii) privatisation of water resource and power sectors; (iii) poverty; and (iv) monitoring of bilateral and multilateral loan-funded projects.

In terms of programme management, INFID activities can be categorised into six main areas: (a) public education; (b) campaign; (c) networking; (d)



information and documentation; (e) capacity building; and (f) organisational development.

- (1) **CGI.** Areas of concern for INFID are: the organisation and ownership of the CGI, debt, privatisation of water resource and power sectors, and the military budget. At the heart of INFID advocacy this year was to press for analysis of the CGI and policy decisions made within the CGI. Activities carried out included:

**CGI Summit in January:**

- In cooperation with INFID participants and network members, INFID conducted public campaigns, in the form of seminars, workshops and public debates, in several regions, including Bali, Medan, Bandung, Surabaya, Solo, Kupang, Yogyakarta, Madiun, Aceh and Pati.
- Produced campaign materials in the form of booklets, posters, leaflets and stickers, which we distributed in several regions of Indonesia.
- Conducted media campaign through press conferences and radio talk shows.
- Organised “Expert Meeting on the CGI”, to which several, mostly non-mainstream, economists were invited to discuss and analyse the role of the CGI to date.

**CGI Summit in December:**

- Prepared a background paper on the CGI organisation and issues discussed within the CGI. There are six issues that are the themes for INFID background papers: debt, forestry, decentralisation, privatisation of the power sector, privatisation of the water resources sector, and the military budget.
- On December 4, 2003, held an expert meeting on “The Role of the CGI towards Achieving Millennium Development Goals in Indonesia”, which was attended by the World Bank and NGOs. The purpose of this expert meeting was to provide a forum for discussion between representative of CSO with relevant expertise and CGI delegates.
- Held a diplomat briefing on December 9, 2003 at Wisma PGI, Jakarta, as an alternative to the regular INFID annual lobby of CGI member nations.
- Binny Buchori attended the CGI summit as an observer and presented the analysis and opinions of INFID.
- Organised a series of simultaneous discussions about the CGI in various cities (Madiun, Makassar, Semarang, and Bandung) to raise the issue of the ongoing CGI summit, what decisions it had and would make, and their implications for ordinary people.

- Held a press conference on the decisions of the CGI summit and INFID's evaluation of the CGI summit.
- In cooperation with FPPI, a student network, held a public discussion in Jakarta on "The CGI and Development Sovereignty".

(2) **Water.** In cooperation with the People's Right to Water Coalition (Water Coalition), INFID worked to: (i) influence World Bank and GOI water policy to make them more pro-people; (ii) strengthen the capacity of NGOs and CBOs in water advocacy. Activities carried out included:

- Strengthened the Water Coalition in the areas of planning and member participation, by conducting a strategic planning workshop in Semarang. In cooperation with INFOG, an NGO based in Solo, and SETAM, a farmers' organisation from Yogyakarta, INFID worked to activate and strengthen the influence and policy analysis capacity of the Water Coalition.
- Made an analysis of the implications of water policy in Indonesia. INFID has prepared a background paper on privatisation.
- Attended a international NGO meeting to share experiences and analyse water cases and policies. Among others, INFID attended a Water Forum in Kyoto and a Regional Conference on Privatisation of Power sectors and Water in Bangkok.
- In cooperation with the Water Coalition, INFID carried out advocacy, lobby and campaign activities to postpone the passing the Water Resources Bill and recommend to members of parliament, especially Commission IV, to produce a Water Resources Bill that is more pro-poor and restricts the privatisation and commercialisation of water resources in Indonesia.

(3) **Power Sectors.** PLN continues to be plagued by the effects of past corrupt practices. Of concern to INFID is the privatisation of the power sector and its implications for the people, especially the impacts of the rise in electricity tariffs on poor families and access to electricity as a citizen's right. INFID works to influence power sector policy and build the capacity and advocacy of Indonesian NGOs in this area.

Activities carried out were:

- Continued strengthening of the power sectors coalition, WG PSR, by strengthening member participation and sharpening the focus of WG PSR advocacy and action programmes.
- Produced a background paper on power sectors.
- In cooperation with the NGO forum on ADB, INFID and WG PSR organised a workshop to build the understanding and capacity of NGOs in policy advocacy and MDB projects, with particular focus on the role of ADB and its policies.

- (4) **Poverty.** The focus of INFID advocacy is the process and content of the PRSP. In terms of procedure, the PRSP must be based on PPA (participatory poverty assessment) and PSIA (participatory social impact assessment). In terms of process, the problem relates to the extent of participation in the preparation of the PRSP, particularly participation of the poor. In terms of content or policy, the problem relates the extent to which policy review is carried out and how this is done.

Activities carried out include:

- Producing a GAPRI document in the Indonesian and English languages.
- GAPRI evaluation and working meeting
- Writing a letter to KPK pressing for: (a) change in the KPK task force from one based on four themes/pillars to one based on function (PPA, Policy Review and Monitoring).
- Becoming members of the KPK task force and attending KPK meetings.
- Disseminating information about the PRSP and participating as speaker at various forums.

- (5) **Kecamatan Development Programme Loan Project.** The concerns of INFID are: how much of this loan reaches its targets, the extent to which project proposals come from grassroots, and the real extent of poverty reduction projects in rural areas. Activities carried out include:

- Research and monitoring of the Kecamatan Development Programme in Madiun.
- Research and monitoring of the Kecamatan Development Programme in Cianjur.

- (6) **Improving and updating websites and information.** The INFID website is continually updated so that staff and users can access information easily and quickly. One improvement has been to change the address of the website from [www.infid.nusa.or.id](http://www.infid.nusa.or.id) to [www.infid.org](http://www.infid.org). Information is available in the English and Indonesian languages. Together with Terrapro staff, INFID is in the process of seeking ways to make a more reliable, on-line library.

- (7) **Publications.** In 2003, INFID published several books to support its work and advocacy. Some of these books were distributed to INFID participants, and others were distributed for sale in public bookstores.

## **Progress made**

In terms of programme outputs, which are generally quantitative, INFID achieved most of its targeted outputs, such as:

- Cases. INFID has identified at least three cases of loan-funded projects which, it is strongly suspected, are experiencing problems and have not achieved their goals: (i) the Bili-Bili dam project funded by the Japanese government (JBIC); (ii) the Kecamatan Development Programme funded by the World Bank; and (iii) mass media broadcasts in at least two locations (Madiun and Cianjur) concerning INFID's opinion or INFID statements related to the CGI summit in December 2003.
- With regard to privatisation of the power sector, WG PSR, facilitated by INFID, has made much headway in terms of its recognition by government, parliament, PLN and the media. Its achievements include: acceptance of its recommendations/input regarding the substance of the Electrical Power Law. WG PSR also participated in the preparation of a Government Regulation on the Electricity Market Regulatory Board (BAPEPTAL), and most important of all, was its success in halting a rise in electricity tariffs.
- With regard to privatisation of water resources, INFID in cooperation with the Water Coalition succeeded in blowing up issues related to the Water Resource Bill, which focuses on privatisation and is not pro-people. Over the past six months in particular, the Water Coalition and its members have repeatedly made the news. As a consequence, passing of the bill, should have been done by the end of December 2003 at the latest, was postponed.
- An increasing number of Indonesian people know about IMF/World Bank/CGI projects and policies. This is evident from the response by community groups in Makassar, Madiun, Cianjur and Bengkulu. From Makassar and Bili-bili, community groups supported by NGO activists organised dialogues and voiced their demands to local government in Makassar and directly to the JBIC office in Jakarta. This increased awareness is also evident from the reaction of the mass media to the role of the CGI and the debt burden, in which they questioned or at least doubted the benefits of CGI funding and policies in Indonesia.
- Recommendations and solutions regarding projects and policies have been proposed by INFID and members of the public. For instance, with regard to the CGI, INFID proposed an Indonesian-led CGI, and now the CGI is led by Indonesia not the World Bank.
- INFID also organised several public dialogues and produced several publications related to the issues INFID is working on. Among others, as mentioned elsewhere in this document, INFID organised discussions, seminars and workshops on various themes, including the CGI, water, privatisation of the power sector/increase in household electricity tariffs, and so on. INFID also prepared analyses, and published and sponsored publication of various documents, such as: (i) documents prepared for advocacy related to the December 2003 CGI summit; (ii) documents on electricity policy; (iii) documents related to privatisation of water resources; (iii) GAPRI anti-poverty strategy documents, prepared for PRSP advocacy; (iv) publication of INFID conference papers; and (v) improving and updating the content and appearance of the INFID website ([www.infid.org](http://www.infid.org))

In terms of the impacts of INFID's work, in line with its programme goals, the impacts of INFID's work were as follows:

- Widespread mass media coverage of INFID opinions and statements on the CGI and Indonesia's debt burden.
- Termination of the IMF programme in Indonesia in 2003, resulting in part from the contribution and participation of INFID in the campaign on the impacts of the IMF programme and Indonesia's debt.
- Debate related to the role and benefits of the CGI to the poor and the environment has come to the forefront as a result of INFID's work and campaign. The National Development Planning Agency (Bappenas) recently produced a paper calling for changes in the organisation and leadership of the CGI. This paper puts forward the proposal made by INFID two years ago: that the CGI be Indonesia-led.
- On the PRSP, INFID as a member of the coalition GAPRI, successfully pressed for multistakeholder forums (KPK task forces), became a member of the KPK Task Force, and pressed for more participatory processes. INFID helped to write letters regarding changes in the consultation schedule and process.
- To engage a broader base of INFID participants and networks in advocacy, INFID's strategy is to form coalitions or working groups. Despite many drawbacks, INFID managed to maintain several working groups or coalitions: Water Coalition, working group on the power sector (WG PSR), and the anti poverty coalition (GAPRI).

#### **III.2.4. Lessons Learned and the Way Forward**

- Challenges. The main factor affecting the performance of the MDBs programme was the completion of the working contract of the PO, a satisfactory replacement for whom has yet to be found. This means, of course, that the MDBs programme has had to be jointly managed by other staff. The second factor, which relates to the experience with the previous PO, is the imbalance between the role of PO as programme manager/executor and the role of PO as researcher and analyst. If a PO has too many programmes to manage, he or she will have little time for writing and distributing articles. Therefore, we recommend that: (a) INFID recruit a qualified PO immediately, so that programme implementation can get back on track as soon as possible; (b) INFID clarify the job description and scope of work of the PO to achieve a balance between the two main tasks of the PO as programme planner and manager (as per budget and plan/schedule), which involves attending meetings and travel (including overseas and out of town), and as analyst/researcher, which involves a great deal of in-depth reading and producing papers. This imbalance is at

the root of INFID's weakness in information production, as shown by the number and quality of existing reports.

- The success and positive impacts of INFID's work is not only measured by the extent to which INFID produces alternative policies or alternative policy analyses, but also by the extent of the involvement of INFID participants and grassroots groups in its campaign and advocacy work. This is important to ensure the full participation of INFID participants and networks.

## **II.3. SDI**

### **III.3.1. Goals**

#### **III.3.1.1. The goals of the programme, as stated in the INFID mission statement are:**

1. To endeavour to ensure that the formulation and implementation of national and international policies on development in Indonesia, including those related to lending that create debt dependency, and investment and trade, are in the interests of the poor and disadvantaged, and based on the principles of peace and justice;
2. To create conditions conducive to the strengthening of democratic life by broadening people's participation in, access to, and control of development in Indonesia.

#### **III.3.1.2. Strategic Aims:**

To increase pressure to resolve past cases of human rights violations and to create a new constitution in the framework of attaining a democratic Indonesia;

#### **III.3.1.3. Expected outputs for 2003:**

- More reliable information on democratisation issues through studies of cases of human rights violations and public debates on appropriate solutions for human rights violations;
- Support for Indonesian human rights NGOs, INFID participants or non-participants to carry out a public campaign on human rights issues;
- Active networks with various parties to support public education and public campaign activities;
- Support for the human rights campaigns of INFID and its participants and networks through translation and dissemination of documentation.

### **III.3.2. Problem analysis**

The INFID Support of Democratisation Initiative (SDI) program aims to support the advocacy effort of Indonesian civil society organisations (NGOs, student associations, labour unions) in campaigning the promotion and protection of human rights, and social and economic justice.

- Civil and political rights, including (i) monitoring and advocacy on human rights abuses in Aceh; (ii) efforts to resolve past human rights violations; (iii) strengthening human rights groups in Indonesia by supporting the Human Rights Working Group
- Economic and social rights, including strengthening collaboration between Indonesian NGOs working on economic and social rights. For example, INFID plays an active role in recently established human rights working groups on economic and social rights.

The year 2003 was marked by the return of military legitimacy, a more conservative government, the run up to the general election, and an increase in the adverse impacts of poverty. Evidence that the military has regained its legitimacy includes the government's decision to declare martial law in Aceh, instead of continuing with peace dialogue, and the support of Indonesian public for this move.

On May 19, 2003 the President issued decree No 2/2003, declaring martial law in Aceh. In November 2003, the Indonesian military announced the extension of martial law until April 2004 without proper independent evaluation of the impact or benefits of its implementation. It is not clear whether the military operation will end in April 2004, as the military has announced that they it will remain in Aceh during the general election to ensure that the independence movement does not disrupt the election.

Military operations in Aceh have had a direct impact on the of human rights defenders not only in Aceh but also in Jakarta. Many NGOs are involved in providing humanitarian assistance, mobilising public opinion to counter the view that military operations are the only way to resolve Aceh problem, and giving protection to Aceh NGO activists. Of even greater concern is the stigmatisation of NGO activists, the claims that NGO activists do not uphold the principle of impartiality and that any statement calling for cessation of the war in Aceh is regarded as a defence of the Free Aceh Movement (GAM). If in past the public has show its support for the work of human rights defenders, in the case of Aceh, there has been no public support. Even the media do not always give coverage to statements released by NGOs. Other evidence includes the passing of anti-terrorism law, which clearly curbs civil liberties; the passing of the Law on the Military Law (UU TNI), which gives the military the authority to maintain territorial commands; and the drafting of the

intelligence bill, which would allow close scrutiny of the work of independent organisations.

Efforts to resolve past human rights violations have not shown any significant progress. This is clearly evident in the case of the ad-hoc human rights court for East Timor, which has heard only one case, and acquitted most of the defendants. Efforts to open up other cases of past human rights violations, such as Tanjung Priok, Semanggi I and II and Talang Sari incidents, have by and large been blocked.

In the run up to the general election in 2004, the Indonesian political scene has been marked by heated debate about the presidential candidacy. This will be the first time Indonesia has had a direct presidential election. Other important issues include the verification of political parties eligible to contest the election; the General Election Committee's detection of cheating by a number of political parties, including nomination of unqualified candidates, legislative candidates involved in corruption, and presidential candidates involved in human rights violations; and the issue of early campaigns.

In terms of the economy, in 2003 there was no significant progress in job creation or the fight against poverty. This condition was exacerbated by the long period of drought, which resulted in famine and increased crime rates. There is an increasing number of media reports of suicide, theft, and robbery sparked by the lack of means to buy food, pay school fees or pay for health services.

Forced evacuations in urban areas such as Jakarta and other major cities continued, as did the defence of investors and big companies, such as in the case of the reopening of the giant pulp and paper mill, PT Inti Indorayon, in North Sumatra, despite the fact that this company has polluted the local environment and destroyed the livelihoods of the local community.

### **III.3.3. Main Activities and Achievements**

In terms of themes, the SDI program focuses on the issues of civil and political rights, especially the implications of martial law in Aceh; and economic, social and cultural rights, especially supporting initiatives for the ratification of ECOSOC covenant by the Government of Indonesia. In terms of activities, the SDI program is divided into four main themes: public education, public campaign, networking and information and documentation.

#### **a. Human Rights: civil and political rights**



The rapid developments in Aceh and the urgency of the matter prompted a decision by INFID to allocate funds for human rights defenders to support the campaign on Aceh.

The main activity in this area is support of the public campaign on the impacts of military operations in Aceh. INFID supports the work of Indonesian human rights watchdog IMPARSIAL, which, in collaboration with other organisations, organised public dialogues on this issue in Yogyakarta, Semarang, Medan, as well as a road show to Australia, media briefings, and diplomatic briefings in Jakarta. INFID also organised a series of meetings with organisations working on Aceh to produce briefing papers and position papers, as well as joint meetings with diplomats, political parties and religious organisations.

INFID also supported the initiative of WALHI and others to hold a solidarity evening for Aceh. At the end of the year, INFID facilitated a joined NGO evaluation of martial law in Aceh, which was carried out by IMPARSIAL, ELSAM and KONTRAS.

In the area of human rights, INFID participated in initiatives to promote a transparent military budget that ensure the accountability of the budget for military operations. For the CGI meeting, INFID in collaboration with Logos produced a briefing paper on the military budget.

INFID also supported the initiative of the Voice of Human Rights in Indonesia to carry out a series of road shows on university campuses. INFID also supports the work of Aceh.Com, an alternative website of human interest news in Aceh.

Another main activity is INFID's support for the Working Group on the International Campaign of Indonesian Human Rights issues. The focus of this working group is the campaign on human rights issues at the UN, monitoring the implementation of UN conventions ratified by the government (such as the convention against torture), increasing pressure to push the government to ratify other UN conventions, and disseminating information to Indonesian NGOs on UN mechanisms and procedures.

## **b. Economic, Social, and Cultural Rights**

The main activity is facilitating women's groups, urban poor, farmers and labour to carry out their campaigns. This includes support for the national congress of the urban poor, support for the national congress of the Indonesian Indigenous People Association (AMAN), support for the national congress of farmers unions, support for the Indonesian Women's Coalition for its campaign on women's rights, support for Institut Ungu for a public

dialogue on women's rights, support for labour organisation workshops, and commemoration of Labour Day (May 1).

In January, INFID in collaboration with the Indonesian Consumer Organisation, the Indonesian Women's Coalition, the labour union SPSI Reformasi, the anti-poverty coalition, and many other organisations, organised a public campaign to protest against the increase in fuel, telephone and electricity tariffs that came into effect on January 1<sup>st</sup>, 2003. This pressure, coupled with protests from the mass media and politicians, resulted in the government postponing the tariff increase.

On December 10, in commemoration of the Universal Declaration of Human Rights, INFID and other NGOs organised a joint campaign calling on the GOI to ratify the International Covenant on Economic, Social, and Cultural Rights and also on the CGI to produce pro-poor development policies and programmes.

INFID also supported the initiatives of WALHI to facilitate a meeting of farmers from North Sumatra with the National Commission on Human Rights, and central government calling for the closure of PT Inti Indorayon, and monitor the impacts of international mining company Newmont Minahasa on the local community.

### **Outputs**

- Alternative information on the situation in Aceh; groups (albeit few in number) in several cities informed on the impact of military operations; increased public awareness of the situation in Aceh. It is expected that over the long term, there will be public pressure (beyond the NGO community) calling for an end to military operations in Aceh;
- Establishment of a human rights working group focusing on international campaign. When this working group starts to function, it will improve the quality of the international campaign of Indonesian human rights groups and facilitate Indonesian NGO intervention in the UN;
- Initiatives to campaign for the ratification of the International Covenant on Economic, Social and Cultural Rights, and build awareness among NGOs in the broader context of the challenges in ratifying and implementing this covenant.
- Women's groups, farmers unions, and labour organisations have the capacity to campaign, build public awareness, and inform policymakers on economic, social and cultural rights; new, small organisation have the capacity to participate in the campaign on the impacts of multinational companies on the community. This intervention is a constant reminder to

the public and policy makers of the need for better promotion of economic, social and cultural rights.

### **III.3.4. Lesson Learned and the Way Forward**

- The nature of the SDI programme is largely one of rapid response. This means the programme is very flexible, which makes it difficult to achieve objectives and outputs that were determined in an entirely different context. For example, INFID was unable not carry out the campaign on past human rights violations, because it does not have the capacity (skills and funds) to do so. Also, other organisations, such as ELSAM, are already concentrating on this issue.
- Very often, INFID has no control over the quality and impacts of activities, because they are carried out by other organisations, and INFID does not have special staff to actively monitor these activities.
- Implementation of many of the planned programmes depends on whether there are groups or coalitions are working on the issue in question. The plan to support the campaign for a new constitution, for example, could not be implemented because the coalition working on this issue is no longer active, and the People's Legislative Assembly (MPR) has made the decision to revise the amendments to the constitution rather than making a new constitution. The combination of an inactive coalition and the absence of support from the legislators and members of the MPR made it impossible for INFID to support the campaign for a new constitution.
- Expected outputs for this program should be revised periodically to reflect developments in the political and economic context in Indonesia. This could not be done this year, because INFID was busy working on strategic planning and proposal development.
- The program was affected by the resignation of Dete Aliyah, the Program Support Coordinator, who, under the supervision of the Executive Secretary, monitored and managed the program. Starting in June, Chris Wangkay, the networking officer and Mila Charisma from finance have been assigned to support the Executive Secretary to manage this program.
- For the future (2004-2006), the SDI programme should be framed within the context of INFID's main area of work, i.e., advocacy on the development policies of the GOI, international donors, creditors and international financial institutions that create poverty, increase Indonesia's debt burden or restrict the achievement of economic and social justice. Therefore, this program should be designed in such a

way that INFID is able to respond to and support initiatives in this area, through support for joint campaigns, and national meetings of women's groups, urban poor, farmers, etc.

- In the area of civil and political rights, INFID's role should be limited to the issues closely related to INFID's main focus, i.e. the military budget.

### **III.4. Finance and Administration**

#### **III.4.1. Finance**

In 2003, INFID income was Rp. 5.195.945.298,01 from donor and Rp. 72.476.489,56 from non-donor. The overall fund that was received in 2003 was Rp. 5.268.421.787,57 and also there was closing balance from 2002 Rp 1.182.211.135,72, so the total in 2003 was Rp. 6.450.632.923,29. The spending in 2003 was Rp. 6.206.149.322,17 or 96% from the 2003 total income. In 2003, INFID also got 2 new donors to cover the deficit. The two donors are ICCO and D&P Canada.

- **Ratio of programme to non-programme costs**

Programme costs accounted for 82% of total expenditure, detailed as follows:

- a. Debt campaign – 10%
- b. MDBs & ODA – 18%
- c. SDI – 7%
- d. Network strengthening, capacity building – 25%
- e. Brussels LO – 13%
- f. Working groups (forest finance, water and power sectors, poverty and Tapak Ambon) – 10%

Non-programme costs accounted for 17% of total expenditure, detailed as follows:

- a. Project Administration – 4%
- b. Program Administration – 12%
- c. Other -- 1%

#### ***Actual costs as a percentage of budgets***

Actual costs as a percentage of budgets were as follows:

1. Debt Campaign – 90%

Programme spending was under budget due to a *change in activities* for the CGI campaign, which to begin with were conducted overseas but were then relocated to Indonesia. Also, the budget for publication of a newsletter was not used because the person responsible for implementing this activity was assisting other programmes.

2. MDBs & ODA – 133%

For this programme, spending was over budget by 33% because the funds received from EED were *far more* than projected, due largely to a high foreign exchange differential. This provided the budget for additional activities such as national and international workshops on the CGI.

3. SDI – 91%

Spending was under budget because the PO for this programme doubled as SE following the resignation of the programme coordinator in May.

4. Strengthening Capacity Building – 113%

Spending was over budget because of additional funds for the six regional consultations and national workshop implemented in place of the INFID Forum. The cost of Board Meetings was also higher than expected because the first meeting, in February 2003, was held in Brussels. Another reason was the implementation of an additional activity, i.e. purchase of financial software ACCPACT.

5. Brussels LO – 50%

Spending was under budget because it was predicted in May that there would be insufficient funds for the LO, so several activities were cancelled. Fundraising was then carried out, and in October, we received additional funds from D & P.

6. IWGFF – 94%

Spending was under budget because the work contract of the programme coordinator finished in July and a replacement was not appointed until November. As a result, several activities were not carried out.

7. Tapak Ambon – 0%

In May 2003, management and financial responsibility was transferred directly to the coordinator, so the WG is now independent.

8. WG on Water, Power Sector and Poverty – 104%

This represents additional funds from 11.11.11 by focusing the activity on researches on each sector of water, power and poverty.

9. Project administration – 104%

Spending was over budget due to the communication cost supporting the programmes.

10. Programme Administration – 105%  
Spending was over budget due to the increase in telephone tariffs and the purchase of badly needed equipment, such as air conditioners, laptop and installation of the LAN system.
11. Miscellaneous – 62%  
Spending was under budget because the staff retreat will be held in January 2004.

### **III.4.2. Administration**

#### **III.4.2.1. Programme Goal**

To ensure that the support system functions to support INFID work programmes.

#### **Expected outputs**

- Provision of logistic and administrative support for INFID's work and programmes
- Organisation of internal meetings, evaluation meetings and internal monitoring
- Organisation of INFID Board meetings twice a year
- Adequate number of qualified staff
- Upgrading of equipment and facilities
- Organisation of training and courses for INFID staff capacity building
- Execution of the internal supervisory and management function

#### **III.4.2.3. Problem analysis**

Problems encountered by the INFID secretariat in the execution of the mandate and tasks assigned to the Executive Secretary by the INFID conference and INFID Board ranged from staff capacity to the resignation of staff, as follows:

- (a) How to strengthen the performance and capacity of the finance division so that it can fulfil its financial management and administrative function, including producing timely and accurate financial reports;
- (b) How to ensure that work programmes continue to run on limited resources resulting from change over of staff and staff taking extended leave;
- (c) How to ensure free flow of communication between staff and management and among INFID staff;
- (d) How to build the limited capacity of existing resources;

- (e) How to develop programme strategies and policies and how to improve the performance of INFID staff.

#### **III.4.2.3. Main Activities and Achievements**

- **External Evaluation of INFID conducted**

In 2003, INFID organised an external evaluation, the preparations (terms of reference and identification of the evaluator) for which began at the end of 2002. The findings of this external evaluation were presented at the Board Meeting in Belgium. The **External Evaluation of INFID** was conducted during January and February 2003 by Methodius Kusmahadi and Tom Walsh, who were also involved in the presentation of the findings of the external evaluation both in Indonesia and overseas.

- **Two Board Meetings held, one in February 2003 in Brussels and one in September 2003 at Puncak Pass**

**The first INFID Board Meeting of 2003 was held in Brussels**, Belgium on February 17 – 19, 2003. Support from General Administration for this event involved preparing logistics support for members of the INFID Board and INFID staff travelling to Belgium, including timely organisation of visas and airline tickets, provision of travel expenses, and organisation of transit accommodation for INFID Board members from outside Jakarta.

**The second INFID Board Meeting** of 2003 was held at the Puncak Pass on September 13 – 17, 2003. The purpose of this Board Meeting was to discuss the 2004-2006 INFID Proposal, the 2004 – 2006 Budget and the 2004 Work Plan. During the Board Meeting it was agreed that the holders of the positions of chair and vice-chair of the Executive Board would exchange places. Indah Suksmaningsih assumed the position of vice chair and Ivan Handar assumed the position of chair. This decision was made in view of the very limited time Indah Suksmaningsih has available to execute her function as Chair of the Executive Board.

- **Regional Meetings held in five regions as an INFID Forum activity and also as a part of INFID's more participatory strategic planning**

On May 2, 2003 in Jakarta, the INFID Executive Board decided that planning and drafting of the 2003 INFID work programme (i.e. strategic planning) would not be centralised but carried out through a series of regional consultations. The aim of this is to make the process more participatory and give participants an opportunity to put forward ideas related to the topics of discussion.

Drafting of the INFID work programme will involve the following steps: Analysis of the 13th INFID Conference statements, the broad outline of the 2004 – 2006 INFID Work Programme, intensive interviews, regional consultations in five regions (Sumatra, Java, Kalimantan & Sulawesi, East Indonesia, and Greater Jakarta & West Java), and a strategic planning workshop. The locations of these consultations and regional divisions for INFID members and networks is as follows:

1. Java Region (Central Java, Special Province of Yogyakarta, East Java) in Malang, East Java
2. Sumatra Region, in Bengkulu
3. Kalimantan & Sulawesi Region, in Tomohon, North Sulawesi
4. East Indonesia & Bali Region, in Kupang, East Nusa Tenggara
5. Greater Jakarta & West Java Region, in Bogor.

The strategic planning workshop held in Jakarta on July 7 – 9, 2003, was attended by representatives from each region. The final stage in the process was the programming workshop held on August 5 – 9, 2003, attended by INFID staff, INFID Executive Board, REMDEC Facilitator and 3 (three) INFID participants from IDEA, YLBHI and KPI. Implementation of this strategic planning was assisted by a volunteer and the concentrated allocation of work time by the Deputy Executive Secretary and the INFID Network Specialist. The output of this strategic planning was the 2004 – 2006 Programme Proposal, which was drafted with the help of a consultant from Australia, Andre Frankovits.

The role of the Administration Division in this event was to organise logistics and provide administrative support, such as arranging tickets and organising travel arrangements for facilitators, speakers and INFID staff and board members to the locations of regional meetings outside Jakarta and on Java, arranging accommodation and providing information for participants from out of town, preparing logistics for participants, facilitators and speakers, and arranging schedules.

- **Programme administration, and strengthening and upgrading of office equipment and facilities**

INFID has allocated a budget for a broad band lease line to improve the flow of communication between the INFID Secretariat, INFID participants, national and international networks. The monthly fee for this service is quite high, but the benefits of this Internet access are great in terms of the flow of information within INFID.

Some of the more substantial components of this upgrading of office equipment were: (a) upgrading the infrastructure of the INFID computer network system; (b) installing anti-spam software on the INFID web browser on June 26, 2003; (c) plans to strengthen the INFID server: (i)



server for the entire INFID computer network, to serve around 24 INFID staff computers, (ii) sever for the accounting system network ACCPAC in the INFID finance division to support the improved delivery of financial reports and rapid delivery of clear and accurate financial data, (iii) database system to support Information & Documentation, INFID Library; (iv) ACCPAC is a financial accounting system that supports the rapid delivery of clear and accurate financial reports to funding.

**INFID Website.** The INFID website has been upgraded, including its design. INFID has designed its website with the assistance of a consultant designer, but the Jakarta INFID website was launched without a logo, as INFID does not have a logo yet, and the Brussels website has yet to be launched as improvements to administration are still in progress.

**INFID Logo.** INFID now has a logo. On November 7, 2003, the choice for the INFID logo was announced to the secretariat. From a written vote, the INFID logo selected from a choice of eight logos was logo number: INFID-LOGO1, with nine votes. There was one abstention. The voters comprised: INFID Jakarta Staff – 13 people; INFID Brussels staff – 2 people; and INFID Board – 4 people (Men St. Anna, Lerry Mboeik, Robert Munz and Frances Seymour).

The need for an INFID logo was one of the recommendations of the 2003 External Evaluation of INFID, which states: *As INFID is becoming increasingly well known and popular it needs to design and have a logo as its unique “trademark” in order to build its image. This is crucial to future fundraising efforts. This logo must be printed on all INFID publications and documents.*

- **Monitoring and Evaluation Mechanism and Meeting implemented**

**PME.** A PME meeting held on April 9 – 12, 2003 at Mirah Hotel, Bogor, produced the strategic planning mechanism for the next year, which includes strategic planning through regional meetings and work priorities for 2003. This PME meeting was facilitated by REMDEC consultants, Fauzi Abdullah and Wilarsa Budiharga.

**Mid year evaluation and workplan (2003 INFID Programming Workshop).** Mid-year evaluation and drafting of the work plan for the next six months was carried out on August 6 – 8, 2003 at GG House, Cibogo. The focus of this workshop was to review the results of strategic planning and lessons learnt. This workshop, which was facilitated by REMDEC, was also attended by several INFID networks and INFID participants: Patra M./Zein from YLBHI, Wahyu Baswir from IDEA Yogyakarta, and Dian from KPI Jakarta.

**INFID Logframe workshop.** On October 29 – 30, 2003, the INFID secretariat held a logframe workshop for its programme staff as a step towards consolidating several programme logframes into **one programme logframe**. Held in the INFID secretariat, this workshop was facilitated by REMDEC.

**Executive Board Teleconference.** On October 19, 2003, an INFID Board teleconference was held in follow up of the agreement to revise the 2004 – 2006 INFID Proposal & Budget. Participating in this teleconference were: from the INFID Board, Ivan Hadar, Indah Sukmaningsih, and Frances Seymour; and from the INFID secretariat, Binny Buchori, Klaus Schreiner, Patricia Sibarani, Misnawati and Florence. On November 21, 2003, an executive board teleconference was held to discuss the status of the Brussels LO.

- **Staff Turnover (recruitment and vacancies)**

With the ending of the work contracts and subsequent resignation of several INFID staff, Personnel had to recruit new staff members. Following are notes on the turnover of INFID staff:

**New staff:** (i) Misnawati as of April 1, 2003, assumed the position of Finance Manager previously held by Afandy Djauhari. (ii) Patricia Sibarani joined INFID on October 6, 2003 as corporate secretary. The position of corporate secretary is currently part-time: **3 out of 5 working days**, and is an new position in the secretariat structure.

**Vacancies:** (i) The position of MDBs & ODA Watch Programme Officer is still vacant following the completion of Pattimura's work contract at the end of March 2003. Since then, the position of acting PO has been filled by other staff or by other staff and the Executive Secretary. Thus, this job was dealt with directly by the INFID Executive Secretary (Binny Buchori) during October 2003, and was finally assigned to the INFID Deputy Secretary for the period November 2003 – February 2004. Recruitment of the MDBs and ODA Watch PO will be repeated in February 2004; (ii) Program Support Unit Coordinator & SDI Programme Assistant, Dete Aliah, resigned on April 1, 2003, to pursue new challenges after seven years in the INFID Secretariat; (iii) Genevieve Cecille Carrie (International Campaign Coordinator) did not renew her work contract / resigned because she wished to make preparations for her forthcoming marriage in Australia. She worked for INFID for one year, and as of July 1, 2003, no longer works for INFID; (iv) Deputy Executive Secretary (Sugeng Bahagio) resigned on January 1, 2004 after almost eight years of working in INFID. Recruitment for a new DSE will be carried out in February 2004.

- **Plan for Restructuring of the INFID Organisation**

In line with findings and recommendations of evaluation, improvements need to be made to INFID staff and the INFID organisation in order to move towards results based programmes rather than activity based programmes. Restructuring of the INFID organisation is included in the 2004 – 2006 INFID work plan, but it has been postponed three times. The first time because of problems scheduling it into the INFID work plan, then because the facilitator was not available, and finally because of problems obtaining a visa to enter Indonesia. The expected outputs of this process are options for the INFID staff structure and organisational structure that meet the needs of the 2004 – 2006 INFID programme. The restructuring process will be facilitated by Anja Hoffman, a consultant from Germany, and funded by EED. The process will take place over two weeks in February 2004 and will continue thereafter, as the entire process will take one year to complete.

- **Capacity Building activities/courses**

As part of capacity building for INFID staff, training has been given to build the knowledge and skills. Following are notes concerning the INFID staff attending these courses. During 2003, INFID provided its staff the opportunity to build capacity/knowledge by participating in training in Indonesia and overseas, as follows:

(i) On March 3 – 5, 2003, INFID sent one of its finance staff (**Mila Charisma** – INFID Voucher Clarification) to conduct a comparative study of financial accounting systems, reporting to funding, and disbursement of funds. Mila went to USC Yogyakarta, to study the ACCPAC accounting system, and on March 28, 2003 went to the international organisation, CUSO, in Jakarta, to study the SUN accounting system. (ii) On March 17 – 20, 2003, **Jeckson Robinson** (INFID Receptionist) took part in Office Management training at Lembaga Pendidikan dan Pembinaan Manajemen (LPPMO in Jakarta. The aims of this course are: to learn about the position of office equipment and supporting documents in promoting efficient office administration; (iii) On April 7 –19, 2003, **Mila Charisma** (INFID Voucher Clarification) participated in a basic accounting course at Lembaga Pendidikan dan Pembinaan Manajemen (LPPM) Jakarta. The aims of this course are: to learn and gain knowledge about accounting concepts, the accounting cycle, bookkeeping, periodic reports, and the balance sheet; (iv) On May 12 – 17, 2003, INFID Finance Manager **Misnawati** and acting MDBs PO **Nadia Hadad**, took part in the EED Seminar in Bali. The objectives of this seminar were: to clarify reporting to funding, including the narrative programme report prepared by the programmer and financial reports to EED; (iv) On August 27 – 28, 2003, **all INFID finance staff** attended a introductory course on the ACCPAC accounting system at the INFID office. The aims of this training were: to learn about the ACCPAC system of accounting, bookkeeping, periodic

reports and balance sheets; (vi) On October 13 – 17, 2003, **Chris Wangkay** (INFID Network Specialist) attended training on advocacy and policy influencing. This training was conducted by INTRAC (The International NGO Training and Research Centre) in Oxford, England. The objectives of this training were: to help participants and organisations to conduct more effective campaigns, develop advocacy plans and strategies, analyse situations, develop planning strategies and use communication skills, and integrate monitoring and evaluation; (vii) On November 10 –14, 2003, all INFID staff participated in **gender training** at the INFID secretariat. The objective of this gender training was to introduce the first stage in gender awareness and gender instruments. This training was conducted in follow up to the findings of the INFID external evaluation.

#### III.4.2.4. Lessons Learned and the Way Forward

- With several vacant positions in the secretariat, PSU and other INFID staff have had to take on different kinds of work. For example, the INFID Network Specialist had to assist the SDI programme, the Media Campaigner was appointed acting MDBs and ODA Watch PO, and the Executive Secretary and Deputy Executive Secretary had temporarily assume the position of MDBs and ODA Watch PO. This, of course, has added to the workload of all INFID programme staff, a situation that needs to be reassessed.
- Is it necessary to give INFID staff with 2-year work contracts the opportunity to train and explore overseas or in Indonesia, bearing in mind that the outputs obtained do not guarantee their continued contribution and expertise to the INFID network and INFID organisation, since so far the benefits of this expertise have ultimately been enjoyed only by the staff concerned.

### III.5. Brussels LO

#### III.5.1. General Situation of the Liaison Office and Specific Problems

**Goals** *(please refer to the elaboration for each INFID Project:*

*Debt, MDBs and CGI, and SDI)*

**Problem Analysis** *(please refer to the elaboration for each INFID Project)*

Within the overall program of INFID the specific task of the Liaison Office is to “translate” the information and activities of INFID on the regional and national level to the international level of networking and advocacy. A second task of the Liaison Office is to channel information and request pertaining to the

INFID projects to the office in Jakarta and to facilitate – as far as possible – a follow-up on requests. However, during the course of the year it became again evident that the Liaison Office was also deeply involved in activities that belong to the managerial sphere of INFID's work.

As mentioned in the report of the 2003 external evaluation there is still an information and communication gap between the two parts of the INFID executing agency resulting in a lack of integration of project activities. However, this shortcoming needs to be qualified. The gap exists rather on the structural and organisational level than on the personal level, i.e. between acting persons. The flow of information through informal communication between actors in the two offices was quite fluent and frequent. However, as soon as this informal communication ceased because of absence, sickness, or other reasons there is no structural back stopping mechanism that ensures the continuity of information and inter-action between the two parts.

Within the Liaison Office itself the communication was more smoothly, especially after a weekly meeting was established. This meeting proved to be particularly important in the work of the Office. The office's two staff have separate working areas and work almost entirely independent from each other. The Assistant Liaison Officer rarely assisted the Liaison Officer, but functioned as an information officer. The meetings ensure the mutual information and co-ordination on the works progress and that one gets a helping hand when necessary.

### **III.5.2. Main Activities and Achievements**

#### **Public Education**

No activities were carried out. The planned seminar had to be cancelled due to the demands of the Strategic Planning Process (see below)

#### **Public Campaign and Advocacy**

There was no CGI lobby tour in 2003.

During the course of the reporting period the office could establish and deepen the contact with the Indonesia related desks at the European Commission and the European Council of Ministers. The office staff maintained regular contact with the respective persons by paying visits and providing input. On several occasion the Commission contacted the Liaison Officer to request specific input on current issues, e.g. EU Aceh statement. The Liaison Officer facilitated a meeting between the EC's Indonesia desk and the INFID secretariat in Jakarta. Moreover the office facilitated in various cases the visit of Indonesian activists to these persons (e.g. Papua, HR). Moreover, the office was present at various advocacy meetings on current issues (Papua network meeting and visit, Aceh)

In the context of debt related activities the Liaison Officer contributed to urging the Indonesian Government to agree to an independent research on the impact of Indonesia's indebtedness on the human development of the country. INFID could in co-operation with *Erlaßjahr.de* (German Jubilee) win the German government, i.e. the BMZ (ministry for development co-operation) to support such an activity and to even consider sponsoring such a research provided the GoI would agree upon it and support. Even though INFID could solicit the support of high-ranking advisers of the president and the vice president such a commitment did not materialise. This failure was particularly disappointing as a visit of the delegation of the German chancellor Schröder in May 2003 offered a unique opportunity to present this issue to the German government. One could have made a major step towards an analysis of the sustainability of Indonesia's debt and to search for alternative mechanisms for its solution. The European network was continuously kept informed about these ongoing activities.

### **Networking**

Networking took place only on ad-hoc basis during the course of 2003. The office maintained regular contact to the respective partner networks in UK and NL. Likewise the members of the debt network were kept informed on the activities INFID carried out, even though no immediate action was needed. Information on the current debt and economic situation in Indonesia was fed into this network. Donor relations as part of the debt network were maintained. Two donor meetings organised by the Office last year resulted not only in a continued commitment of the donors to financially support INFID works but also to do strengthen co-operation in the advocacy work. In the course of the Strategic Planning Process the office carried out a survey on current and planned advocacy issues and activities of INFID's partners and opportunities for links and co-operation. This survey informed this planning process and has also serve as a starting point to develop the advocacy co-operation between INFID and its donors.

### **Information and Documentation**

The Liaison Office regularly produced the weekly Short News Overview, by now the only regular publication issued by INFID. The number of subscribers is growing and now goes beyond the circle of persons and organisations, with whom INFID maintains working relations in one or another way. The Liaison Office also maintained its own web-site: [www.infid.be](http://www.infid.be), which had become *the* INFID web-site for more than three years. The web-site was still operating on its own since an integrated web-site "www.infid.org" was still not yet fully operational, especially the English part of it.

**Program Administration**

Besides these activities documented in activity reports the Liaison Officer spent a considerable amount of time on discussing internal and management matters with the INFID staff in Jakarta.

**Activities not reflected in the annual work-plan**

INFID as organisation conducted a strategic planning process for the new program proposal 2004 – 2006. The decision to implement this process in the form of a series of regional consultation in a bottom-up way was taken after the board meeting in Vaalbeek. Therefore, it was not part of the work-plan 2003 compiled in the annual work-plan workshop in December 2002. In this regard it was an “unplanned” activity. This is valid even though the implementation of the whole process followed an agreed and set schedule and sequence: – the ToR, – the convening of five regional workshops, – the convention of an national workshop, – the drafting and finalising of the program proposal, – its presentation to the board, – its introduction to the donors. The decision necessarily affected the work of the organisation as a whole and that of Liaison Officer in particular, since the Strategic Planning Process proved to absorb a significant amount of the available resources of the entire organisation over a period of more then 6 months. The share of the workload of the Liaison Office in Brussels during this period was considerable. The Liaison Officer travelled four times to Indonesia to participate in various meetings and workshops. Moreover, he participated in the drafting and finalisation of the various documents of the program proposal (narrative, log-frame, work-plans). Another task of the Liaison Office was to organise the donor meeting to introduce the new program to the donor community.

**Analysis of Comparison between plan and actual performance**

As becomes evident from the attached matrix the Liaison Office did not carry out as many activities as planned for this year. There are some reasons for this:

The most important is that INFID as an organisation indulged in a Strategic Planning Process for the new program proposal 2004 - 2006 that was not scheduled at the time when the work-plan 2003 was compiled (i.e. at the end of 2002). Moreover, it was decided to implement the planning process in a bottom-up way involving INFID participants and partners both in Indonesia and abroad by holding regional consultations and conducting surveys and interviews with key actors and observers. The first activities started in early March 2003 after the board meeting in Vaalbeek. The last activity was conducted in December 2003 when a donor meeting to place in Brussels to socialise the new program. Since the Liaison Office was deeply involved in these activities, which dominated much of INFID's agenda in 2003, activities of the Liaison Office in terms of advocacy were significantly reduced and only carried out on an ad-hoc basis.

Regarding lobby activities INFID as an organisation did not conduct an extensive lobby activity vis-à-vis the CGI as in previous years. Apart from the production and presentation of a set of background papers and a position paper, there was focussed activity such as e.g. a delegation to the most important creditor/donor countries in the running up to the Annual CGI meeting in December 2003.

This comparison of the work-plan 2003 on the one hand and the activity and progress reports of this year on the other hand shows an unplanned shift from the agreed-upon project activities to the previously "unplanned" activities of the strategic planning process impacting the implementation of the work-plan.

### **III.5.3. Lessons Learned and the Way Forward**

#### **LESSONS LEARNED**

- a) The role and the place of the Liaison Office within the structural set-up and the implementation of the work-plan are not yet sufficiently clear. This is an immediate result of the insufficient integration of the two offices' activities.
- b) Activities actually carried out by the Office are ranging between advocacy activities planned by the Liaison Office itself, support for implementation of the various projects, and managerial tasks.
- c) The Office was not able to comply with the various demands, simply because it did not have the manpower to satisfy all. The excessive workload was one of the outcomes of INFID's insufficient planning procedure.
- d) There was a lack of anticipation of so-called unplanned activities (e.g. such as requests for joint action, statements, conferences, actions etc, which however could be expected) and a certain 'discipline' in carrying out planned activities.
- e) Despite the taxing demands, the office managed to establish and deepen the contact with EU actors, as with NGOs in the Netherlands, UK and Germany. The Office also managed to develop and maintain its own information system, which was independent from the Jakarta Secretariat. In a certain case and an to a certain degree, the Secretariat even depended on the Office information management.

#### **Way Forward**

Regular communication structures should be established (e.g. regular telephone conferences between project officers in Jakarta and the Liaison Office, briefings and debriefings on occasion of Liaison Office staff visits to the Jakarta office).

A "non-personal" or "supra-personal" information mechanism has to be established to ensure continued flow of information and co-ordination. A clear



responsibility and task has to be assigned to one person in Jakarta to guard this mechanism.

An extra effort should be made to integrate the activities of the two offices by spending more time on the planning process and subsequent monitoring and evaluation.

The compilation of a detailed work-plan with sub-activities, timeline, and clear indicators can help to monitor progress and give the satisfaction of achieved targets. Special attention should be paid to an assessment of workload (and potential overload), preparing time and capacity slots for “unplanned activities” that can be anticipated based on existing experience.

In more general terms, the design of an international advocacy strategy is necessary that among other aspects assigns a clear role and function to the Liaison Office. As already pointed out on various occasions a comprehensive information management strategy for INFID is also urgently needed since information in all its aspects is INFID’s most important “commodity”. Again the role of the Liaison Office within this strategy should be clearly defined as well as a division of labour and tasks between the various units of the organisation.

## **Narrative Financial Report**

The expenditure of the Liaison Office during the year 2003 was way below the planned budget for this year. There are several reasons for this observation.

The first and foremost reason is the involvement of the Liaison Office in the Strategic Planning Process that prevent it from carrying out the planned activities during this reporting period especially those that were budgeted as program activities. The other routine activities such as information dissemination etc. were carried out, however they are not cost intensive.

The second reason lies in the uncertainty of the funding prospects and available funds for the Liaison Office, which resulted in a trimming down of the Liaison Office’s budget and a shift of expenditures from the Brussels budget to the Jakarta budget. Thereby funds, which are only available for Jakarta-based activities could be used for activities of the Liaison Office carried out in Indonesia (e.g. participation in the SP-process).

The third reason lies in the extension of the work contract of the incumbent Liaison Officer. The planned funds for the transition process of two months were consequently not used.

## **III.6. Strategic Planning**

### **III.6.1. Goals**

The process of regional consultation aims to: (a) reach a consensus among INFID participants and partners (networks) on the INFID platform; (b) to obtain ideas and input from INFID participants and partners for the strategic plan.

The objectives of the strategic planning are: (i) to reconfirm the INFID platform as an alliance of Indonesian and non-Indonesian NGOs for equitable and sustainable development in Indonesia; (ii) to identify and formulate INFID programme focus and advocacy strategy at national and international levels for the next six years; (iii) to identify and formulate the relationship and joint strategy between INFID participants and the INFID secretariat to strengthen the participation of INFID stakeholders in INFID advocacy work.

### **III.6.2. Problem Analysis**

#### International trends

- The trend towards privatisation, executed through WTO agreements and by the economic recipes or policies of the IMF and World Bank. One manifestation of this trend towards privatisation is the WTO agreement GATS (General Agreement on Trade in Services). Services in the scope of this agreement include water, health and education. GATS was launched in November 2001. Under this agreement, governments press for the opening up of these sectors to the private sector and non governmental organisations. The goal of GATS is the progressive liberalisation of “trade in services” by WTO members.
- Deficit of democracy in the systems of global finance and trade, i.e. governance systems (decision makers and representatives) in international financial institutions (IMF, World Bank, ADB, etc) are still controlled by the interests of industrialised countries and are commercial based rather than development and human rights based.
- Actors with a role in these trends are industrialised nations (G-7 plus Russia) on the one hand, and developing and poor countries (G-77) on the other. Multilateral organisations like the UN and all its associated agencies are greatly influenced by the behaviour of these country groups. High level UN conferences such as the FFD in Monterey and the WSSD in Johannesburg are arenas for debate as well as dialogue forums and arenas for international decision making in various areas.
- The growth of human rights and social justice movements, which year after year are becoming increasingly influential in the formation and diplomacy of human rights and the world economy. The establishment of the ICC, the Jubilee movement, movements for social and economic rights, social movements, and movements for alternative economic systems throughout the world is an important trend that presents an opportunity for cooperation

between North and South. This trend also puts pressure on UN agencies to assume a stronger social and economic role rather than delegating this to Bretton-Woods organisations (the IMF and World Bank). One important development platform resulting from the work of UN agencies and social movements in rich countries in the North and South during the 80s and 90s is the so-called MDGs, in which there is a social and moral contract between rich, industrialised nations to correct global economic policy (debt, aid and trade) and to put an end to poverty and marginalisation of poor and developing countries.

#### National trends

- The main problems for Indonesia and its people over the next six years are the same as those over the past five years: how to revive the economy, how to reduce unemployment and poverty, how to resolve past cases of human rights abuses and crimes, and how to make the political system and the system of regional autonomy more democratic and participatory.
- In Indonesia, the trend towards privatisation, which results from a decrease in the role of the state in economic and social regulation, will continue. This includes, but is not limited to, a shift towards private ownership of many state owned enterprises (and enterprises owned by regional authorities), including the transfer of ownership of the public service sector from the state to private companies. This means commercialisation of public services, which in Indonesia will occur in various sectors, such as power, water, telecommunications, health, and even education. On the pretext of removing monopolies and improving efficiency through competition, and cost saving, largely as the result of pressure by international financial institutions, the government is “forced” to remove subsidies in these public sectors and transfer ownership to the private sector. Privatisation is not restricted to public service companies, but is also marked the transfer of ownership, and especially management, of some companies owned by regional authorities.
- The actors in this process of intensive privatisation are international financial institutions, especially the IMF and World Bank, through their promotion of deregulation, privatisation and liberalisation policies; transnational companies operating in the sectors of infrastructure development and electrical power and water management through contracts with central and regional governments that are supported by donor nations.
- The trend in national politics towards a multi-party system will continue, with changes to systems and procedures. The capacity of the political system to respond to the problems of *poverty, injustice and impunity* will still be lacking. To a large extent this is exacerbated by the behaviour of

the political elite and economists in Indonesia, who continue to benefit from the existing political and legal systems, and are therefore not interested in genuine political reform.

- Furthermore, a specific weakness of Indonesia's post-Soeharto multiparty political system is that it is not free, and may never be free, from the legacy of the past. Especially with regard to the strength and dominant role of the military, which is involved not only in defence, but also in matters of security and politics in general.
- In terms of the economy, special note should be taken that over the next five years the economy condition inherited from 1997 economic crisis – domestic and foreign debt and the collapse of the banking industry – will continue, as signs of economic recovery are slow in coming. Evidence of this is central government's deficit in capacity to finance development (through the national budget). One reason for this is that loan payments will continue to be burden in the future. Indonesia will still be caught in the debt trap.
- The conditions of liberalisation, privatisation and deregulation brought and persisting from IMF Lol, the conditions attached to ODA, and the policies of donor members of the CGI will have long term effects, both in terms of social services and the price of basic necessities as a result of the ending of government subsidies.

### **III.6.3. Main Activities and Achievements**

Activities carried out in implementation of strategic planning are as follows:

- a. Analysis of the 13th INFID conference statements (What is the main area or focus of INFID advocacy? What strategies and tasks are defined by these statements? Is there a link between national and international work?)
- b. Intensive interviews with national and international INFID partners. Key questions prepared beforehand formed the basis of these person-to-person interviews and e-interviews (the report on Mapping of Organisations In Europe was a key source). The focus on the interviews was on strategy and implementation of strategy, rather than on gathering new material.
- c. INFID Forum and regional consultations: Due to time and funding constraints, the INFID Board decided to combine the INFID forum and regional consultations. Unlike previous INFID forums, this one was decentralised and was also used to obtain input and recommendations for materials. So, as well as being the INFID Forum, it was also a forum for

drafting strategic planning materials. Locations: for Sumatra (including Aceh, Padang, Bengkulu and Lampung) in Bengkulu; for Eastern Java (East Java, Central Java, and Yogyakarta) in Malang; for Western Java (West Java, Greater Jakarta, and Banten) in Bogor; for Kalimantan and Sulawesi, in Manado; and for East Indonesia (including Papua, Maluku, East Nusa Tenggara, Bali, and West Nusa Tenggara) in Kupang.

- d. Strategic planning workshop in Jakarta with representatives of stakeholders. At least 25 representatives from regional consultations, and two representatives of international partners and other international organisations in Jakarta were invited to attend this workshop.

## **Outputs**

Based on analysis of national and international trends and with reference to the outputs of the 2002 INFID conference in Yogyakarta, the participants of this strategic planning workshop agreed that the following problems would be the main focus of the work of INFID and its networks over the next six years. The hope is that this will serve as a guideline for the INFID secretariat and board in carrying out the mandate of the 2002 INFID conference.

### **Civil supremacy and relations between central and regional governments**

Civil supremacy – control of the military budget. How to maintain civil supremacy through control and transparency of the military budget?

Restoring the function of the military as a professional defence force and minimising human rights abuses by the military, demands basic reforms in many areas. Besides responsibility for past human rights abuses, one key area of concern is the military budget. Facts show that almost 70 percent of off budget sources fund almost 70 percent of the military budget. This needs to be investigated and a policy solution found.

Regional Autonomy: How can decentralisation be directed to be more participatory, more pro-poor, and better serve the public? Broader authority for municipalities and regencies needs to be balanced by greater, institutionalised public participation. The goal is to make decentralisation a process that is directed more towards the achievement of millennium development goals and poverty reduction. The drafting of regional budgets needs to promote more participatory processes, which aim at improving the human development index and reducing poverty, especially in the areas of education, health, and sanitation, and providing broader, real benefits to marginal groups such as women and children.

**Debt and Poverty**

International Debt Arbitration. How can Indonesia's debt be removed? How to press for and achieve debt arbitration? Can INFID convince policy makers? How? Indonesia's unsustainable foreign and domestic debt over the next six years will place a strain on the national budget and contravene the rights of the citizens of Indonesia. Negotiations to erase or reduce Indonesia's foreign debt stock must continue to be proposed. One way to do this is through a debt arbitration forum. For domestic debt, alternative solutions such as those proposed by PASPORP (economist Drajat Wibowo and colleagues) need to be supported and promoted.

**Transparency and Information on Debt.** How to ensure transparency of funds and loan-funded projects on both sides, i.e. creditors and borrowers or users of loans? Transparency and information about management and use of loan funds (both domestic and foreign) have yet to be achieved. Loans for projects are often regarded as grants, and loan funds are frequently misused. The plan to issue bonds on the international market base on the new Finance Law, and the go-ahead for regional authorities (municipalities and regencies) to obtain direct foreign loans could be a time-bomb in the making if they are not accompanied by transparency and tight controls, at both planning and implementation stages.

**Forest Finance.** Can the destruction of Indonesia's forest be stopped by removing or cutting back funding? How, for example, can Bank Mandiri and IBRA be regulated by environmental sustainability considerations so that they are not merely profit oriented?. One of the main causes of the destruction of Indonesia's tropic forest is the overcapacity of the forestry industry. Forest fires and reduction in forest lands are merely the consequences of these. Downsizing, closure and restructuring of the forest industry is a strategic measure to prevent the continued destruction of Indonesia's forests. Forest finance is an aspect often overlooked by the public and policymakers.

**Poverty.** How can poverty reduction be implemented in a systematic and organised way to fulfil the basic rights of the poor? How to ensure that poverty reduction documents currently in the process of being drafted (PRSP) are based on the voice and needs of the poor? How to ensure that it reflects the Indonesian consensus and not the interests and agendas of donors/creditors. In Indonesia, impoverishment and poverty need to be seen from a multi-dimensional and structural angle: impoverishment and poverty must be examined in terms of macroeconomic policy, debt and financial liberalisation by institutions such as the IMF and World Bank. Changes at macroeconomic level will have huge implications for poverty reduction. The PRSP currently being drafted by the GOI on the insistence of the IMF and World Bank, is scheduled for completion in June 2004.

**Economic Policy and MDGs.** Loans should not be contingent upon liberalisation (but upon the upholding of human rights). How can the conditionalities (conditions related to ODA and economic aid from industrialised countries and multilateral institutions) be reformed? How to make positive conditionalities (achievement of MDGs) the goal of North and South nations, as well as financial institutions such as the IMF and World Bank? Binding conditionalities on the relations between industrialised (North) countries and poor (South) countries and on aid and loans from donor nations and international financial institutions are still policy and practice, especially conditionalities related to financial liberalisation and trade & investment. On the contrary, conditionalities related to human rights (civil & political rights and economic, social and cultural rights) have never been the focus. Like it or not, conditionalities on human rights, social and political as well as economic, social and cultural rights, should be the focus of these relations. Corporate regimes (and military regimes) will invariably yield to human rights regimes, either at global or national level.

Coherence and Consistency in Development Policy of CGI donor nations. How can poverty reduction and environmental sustainability be made the goals of the CGI? How to make achievement of MDGs the goal and agenda of the CGI? If rights-based development is to become the goal of Indonesian development, then coherence and consistency in the policies of the GOI and international financial institutions is crucial for the Indonesian economy. IMF and World Bank policy that make Indonesia assume the burden of private sector debt and settle their debts goes against poverty reduction rhetoric or policy. This is a prime example. Macroeconomic policy should not promote impoverishment and poverty. Nor should trade, privatisation and investment policies. Could the CGI, as a forum between Indonesia and its creditors, ensure that? Could commercial and security interests be set aside in favour of achieving development goals and waging the war against poverty?

**MDGs.** How and when will Indonesia achieve the MDGs? What policies and instruments will it use? What changes are needed? Indonesia is one of the countries that signed the Millennium Development Goals (MDGs) in New York in 2000. Can Indonesia achieve the MDGs by 2015? What instruments and policies are needed? Achievement of MDGs in the Indonesian context not only requires financing for development but, more importantly, requires the political will and commitment of the Indonesian political elite, both in Jakarta and in the municipalities and regencies, because they are the ones that control development. Furthermore, achievement of MDGs is also contingent upon industrialised nations keeping their promises on debt, ODA and trade in line with the global agreement on debt reduction and trade access for Southern countries and on the volume of aid to be provided to Southern countries. What role can INFID, NGOs and the public play in pressing for the achievement of MDGs?

#### **III.6.4. Lessons Learned and the Way Forward**

The participants of the INFID strategic planning workshop identified a number of strengths and weaknesses in INFID, both in its network and secretariat as well as the quality and quantity of its information and research. After listing these weaknesses and strengths, the participants proposed a number of recommendations and proposed the role that INFID should play in the next six years.

The strengths of INFID in general are:

- More than 15 years of experience in international advocacy
- More than 15 years of success and experience as a coalition organisation.
- INFID policy advocacy, especially advocacy on debt and the need to reduce dependency on debt, has been recognised by the mass media and policy makers.
- Clear delegation between the secretariat, participants and board.
- Timely implementation of programmes.
- Planning mechanism in line with the mandate stated in the INFID statutes.
- Beginning to engage participants and partners by holding regional consultations.
- Relevant information and analyses from the secretariat to support the campaign activities of participants
- INFID network and secretariat facilitate the sharing of information.

The weaknesses of INFID are as follows:

- Issues being explored are expanding, but mandate and capacity are limited.
- The image of INFID is that it works only on the issue of debt.
- No synergy with other social movements, such as the women's movement.
- More national than international activities
- Deficit of solidarity of the INFID network and participants (some participants feel that they are not a part of INFID)
- Regional issues (regional autonomy, public participation in budgeting) are not fully accommodated.
- Issues/cases being worked on in the regions are not properly facilitated in the movement at international level.
- The diversity of INFID participants is a strength and a weakness.

More specifically, the workshop participants identified weaknesses and strengths in three key areas: information, research and the INFID network.

##### **INFORMATION**

1. With regard to processing and management of information, it was noted that information in the English language held by the secretariat has not been translated into Indonesian in clear and simple language. This



includes, among others, information on: debt, debt arbitration, poverty, forest finance, MDGs, and transparency of information from international financial institutions. In terms of specific types of information, the secretariat does not have information and has not processed information on, for example: civil supremacy, relations between central and regional governments, transparency, information on national laws, regulations and so forth (government regulations, regional government regulations, etc).

2. Information that is available tends to be in the form of raw data. Information from participants and other NGOs, as well as information collected by INFID itself.
3. INFID has media for distributing information (distributing INFID books, mailing list, INFID newsletter) and an information officer, library and websites, but optimal use has yet to be made of these.

*Research.* workshop participants noted that, in general, the weaknesses were in the quantity and quality of research and that these need to be improved, and INFID policy research products needed to be standardised. Also, the findings of research should be immediately processed into Indonesian language of a style and model that is easily understood by ordinary people.

INFID has conducted research (also in the form of position papers) related to the following areas of concern: Forest Finance, Debt Arbitration, Poverty, Privatisation, Kecamatan Development Programme, Debt and PRSP. Research has yet to be conducted in the areas of: human rights, the military, and regional autonomy.

*Network.* INFID has international networks with several international organisations, for example with Jubilee and EURODAD on the issue of debt, with ADB Forum, APRN, and Social Watch on MDB advocacy, as well as with anti-privatisation groups in the public sector, and human rights organisations and coalitions.

On a national level, INFID has networks with: KAU (debt), Advocacy Coalition on International Human Rights, GAPRI (poverty and PRSP), working groups on power sector, Water and Forest Finance, and working group on PSDA.

## **RECOMMENDATIONS**

- *Build synergy in INFID networks and participants and with other social movements*
  - a. Make use of existing networks, such as the Asia Foundation's IRDA (Indonesian Rapid Decentralisation Appraisal) programme (especially concerning the issue of regional autonomy or decentralisation or relations between central and regional governments).
  - b. Institutionalisation of collaborative forums and collaboration with human rights activists in Jakarta and overseas.

- c. Collaboration (and maintenance) of networks in advocacy on issues of common concern.
  - d. Mapping of potential networks and partners for collaboration (ad hoc and permanent)
  - e. Increase the sense of belonging of participants, for example through subscriptions from participants.
- *Develop clear-cut advocacy strategy at international level*, among others by: (a) INFID becoming an active and contributing member of international forums, rather than just a participant; (b) Improving communication between INFID and international networks on advocacy strategies related to advocacy goals, materials and targets.
  - *Increase the involvement of participants in programme implementation*, among others by: (a) Creating an Indonesian Social Summit; (b) Involving more participants and networks in regional consultation forums; (c) optimising the database on participants and partners; (e) organising regional learning forums on INFID issues (regional meetings); (d) distributing information more broadly, not just via e-mail; (e) exchange of information between regions.

#### IV. 2004 – 2006 INFID Programmes

After a long, intensive and participatory process of programme drafting, INFID finally has a programme for the coming four years. The INFID programme is normally derived directly from the INFID Conference Statement, from which programmes, activities and budget are then derived by the INFID staff and board. This time, however, drafting of the INFID programme involved at least six related processes: (i) consultation with INFID participants in five regions in Indonesia; (ii) international survey, particularly of those involved in INFID activities in Europe; (iii) strategic planning workshop; (iv) interviews with stakeholders in Jakarta, including academics, the mass media, and government/National Development Planning Agency officials; (v) programming workshop, involving representatives of participants and members of the Board; (vi) input and revision by INFID Board meeting.

The resulting INFID programme was given the title “**Equitable and Sustainable Development in Indonesia Strengthening INFID’s International Advocacy**”. The focus of the INFID programme is on four areas: (a) Civil Supremacy and Control of the Military Budget; (b) Debt Reduction; (c) Achievement of MDGs for development budget and documents, including PRSP; and (d) Sustainability and Strengthening of the Capacity of the INFID Organisation, which involves strengthening the secretariat, INFID decision making, the role of participants and so on.

The goals of these programmes for the next 3 – 4 years include:

- Civil Supremacy in the Military Budget: INFID expects that there will be progress in the reform of the military budget, especially with regard to transparency and accountability, and that the entire military budget will be funded by the national budget. The goals for this programme are: (i) annual publication of budget data; (ii) CGI loan agreements contingent upon budget transparency.
- Debt Reduction: INFID expects that there will be commitment from the GOI and Indonesian parliament as well as from Indonesia's creditors to eradicate debt, through, among others, independent study and public pressure on Indonesia's debt. The main goals are: (i) support from creditors for renegotiation of Indonesia's debt; (ii) commitment from the GOI to renegotiation of Indonesia's debt.
- MDGs: INFID expects progress towards the full and meaningful participation of the public, civil society groups and grassroots in drafting of development documents, particularly PRSP. The main goals cover three areas: (i) inclusion of MDGs in PRSP; (ii) adoption of the 20/20 principle in the Indonesian budget.
- INFID Capacity Building: INFID expects that in the coming years, the INFID organisation will become stronger and INFID itself will be more influential, through strengthening of management of the secretariat and the process of decision making, including the substantial involvement and participation of the secretariat in INFID programmes. The main goals cover three areas: (i) system of decision making; (ii) financial sustainability; and (iii) organisational development.

To achieve these goals, INFID will adopt the following programme strategies:

- Advocacy, which will include action in at least four areas: (i) cooperation and collaboration with international networks and NGOs; (ii) organising and participating in international events (UN meetings, G-7 and Paris Club summits); (iii) lobby and advocacy to CGI country and organisation members (Japan) and also decision makers in Indonesia (parliament, Ministry of Finance, National Development Planning Agency; (iv) inclusion of gender in INFID analyses and programmes.
- Networking, which will involve: (i) meeting with international and national actors; (ii) presenting Indonesia's case at international forums; (iii) distributing information and expanding networks to include grassroots and non NGO organisations.
- Information, which will involve: (i) documentation and dissemination through websites and newsletters; (ii) information network providing regular and periodic information; (iii) providing and producing background information on research, networking with think tanks and producing briefing papers.

- Sustainability of the organisation, which will include: (i) strengthening the participation of INFID participants; (ii) organisational development, strengthening the system of decision making; and (iii) concept and action plan for financial and funding sustainability.

## V. Reflections on the Overall Programs

- **Institutional preparedness to become a unified international secretariat**

In 2000, it was decided that INFID would have only one secretariat, an international secretariat located in Jakarta. The secretariat in Europe would undergo a change of function and become a Liaison Office. Although this policy decision has already been made, this proposed change was not followed up by a concrete plan and allocation of sufficient time to take the necessary measures to establish an international secretariat. Matters such as the envisaged position and profile of the secretariat, standards for qualifications of personnel, the nationality composition of staff (Indonesian only or a combination of Indonesian and non-Indonesian), minimum funding required, and standards for the outputs of INFID's work, were not decided by the organisation. Intensive discussion on the role and function of the Liaison Office and appropriate structure was also not carried out to a conclusion. Although there has been a transition period of around one year, during this time the main focus was on changing INFID activities from project-based to programme-based and making improvements to the management of the secretariat. During this period of transition, the secretariat also had to continue working on various campaign activities. Three years on, INFID really needs to make plans to turn the secretariat in Jakarta into an international organisation, due to consideration to the above matters.

- **Challenges working as a network organisation.** INFID continues to face challenges in becoming a genuine network organisation. INFID campaign and advocacy work is still felt to be the sole responsibility of the secretariat staff, despite the fact that INFID programme produced by the INFID Conference, which was attended by all INFID participants. The diversity of INFID participants that makes INFID a coalition of NGOs and elements of civil society is a strength, but also a weakness, in terms of working as a network organisation. A strength because the INFID coalition represents a variety of community groups; a weakness, because not all topics proposed at the Conference and subsequently integrated into the INFID programme can be carried out by all INFID participants. To address this problem, working groups were formed, comprising a number of INFID participants and INFID partners (water, energy and forest finance). These coalitions have offices in the INFID secretariat and are managed by a

coordinator (not a INFID staff member, but a person appointed by the working groups). What needs to be considered is how to create synergy between the programmes of these working groups and the INFID programme, and how to ensure that the work of INFID and the working groups is complementary and not overlapping. Another measure taken was to engage participants in INFID strategic planning through regional consultations held in 2003, the outputs of which were then integrated into the INFID work programme for the six-year period, 2004 – 2009. In terms of programme implementation, participants will be involved in activities such as joint research and investigation, and will also carry out joint lobby and campaign. This kind of involvement of participants in programme planning and implementation must be continued.

- **External evaluation and the future of INFID.** In 2003 INFID carried out an external evaluation, which pinpointed the strengths and weaknesses of INFID in five main areas: legitimacy, relevance, impact, efficiency, effectiveness and sustainability. The findings and recommendations of this evaluation will make INFID programmes stronger, more relevant and more participatory. These findings included the following: (i) that the INFID programme is activity-based, not results-based; (ii) that the INFID programme does not fully integrate gender analysis; and (iii) that there are no strategies for financial and organisational sustainability. If the findings and recommendations of this evaluation were to be followed up by the INFID Board and Secretariat, then INFID would become a more useful and relevant organisation for social movements in Indonesia and abroad.
- **Balance between programme implementation (external affairs) and accountability of the organisation (internal affairs).** During 2003, INFID allocated a great deal of time, labour and money to internal processes (participants and Board) and to accountability. Three examples of major, time-consuming activities carried out during 2003 are: (i) external evaluation (3-4 months); (ii) strategic planning to draft the programme plan for 2004-2009, which took no less than four months; (iii) board meetings (February and September 2003). These should be noted, because labour and time constraints notwithstanding, it was essential that INFID carried out these three activities. This, however, did have a greater or lesser effect on the programmes carried out by INFID during 2003. To strike a balance between programme implementation and internal accountability, it will be necessary to think about finding an accountability mechanism that allows for optimal and quality programme implementation.
- **Performance of the secretariat and qualifications of staff.** The implementation of at least two programmes has been affected by staff vacancies in the SDI and MDB Watch programmes. Furthermore the performance and capacity of INFID staff in general has a huge impact, not only on programme implementation and outputs, but also on meeting the

expectations and demands of INFID stakeholders, including INFID participants, INFID Board and donors, as well as the GOI and the general public in Indonesia. In general, compared to the last 3 to 5 years, expectations and demands on the secretariat and INFID in general have increased rather than decreased. These include requests for analyses and information from external parties, including universities, government agencies (Department of Foreign Affairs, National Development Planning Agency), community organisations and major political parties (PKB and PDIP) in Indonesia. This was also evident from interviews with some INFID stakeholders as part of the strategic planning process. Of course, then, the secretariat must have an adequate number of suitably qualified staff. To this end, INFID has taken a number of steps, including providing, as programmed, training and courses to strengthen the knowledge and skills of staff. One recommendation is that INFID needs to give thought to the appropriate level and type of qualifications for all INFID staff.

- **Balance of international and national work.** The outputs of INFID's advocacy work are measured not only in terms of its work in Indonesia, but also its participation in international work. If this is not done, then it will give rise to problems. Of course, striking a balance is not easy, but it is possible to come to a consensus on the portion of work and budget allocated for each. Therefore, INFID needs to ensure that there the focus, time and labour on these two aspects is balanced. This is not only because some members of the INFID Board are from the international community, but first and foremost because, as an international organisation, INFID must have the capacity and commitment to do international work. Therefore, there needs to be clarification of the relationship and link between the programmes of the Jakarta and Brussels offices, and greater synergy between the two. Spearheading the implementation of INFID's work, the secretariat in Jakarta and the LO in Brussels need to be maintained, and international networks and contacts need to be expanded.
- **Information products** need to be prioritised. More attention needs to be given to the production of campaign materials, because these materials can form the bridge between the technical policy jargon used by INFID and popular language. With its website and newsletters, INFID has the means to do this, it just needs to make them effective. To improve the quality and quantity of information, the secretariat could think about upgrading the job of information to the status of PO, so that more attention and focus can be given to information production.
- **Technical policy jargon and popular language.** INFID works at two levels. In its policy analyses and advocacy, INFID is obliged to discuss substance and trends in technical language, and in popularising these issues to the general public, it must use clear and simple language. This

is not an easy thing to do. Grassroots organisations will most likely feel that the language used by INFID is technical and not easy to understand, and find it easier to talk about which programmes are not appropriate and/or a failure. In the future, INFID needs to produce information packages that are easy for grassroots groups to digest and understand.

- **Standards for INFID research and study reports.** To maintain the image and strengthen the impacts of INFID's advocacy work, INFID must produce good quality research reports and information, as one of its key assets is its research and study. Therefore, as an international organisation, INFID needs to establish standards for its information products, both in terms of input and output. The standards must refer to appropriate, acceptable benchmarks. Establishing these standards will also help to ensure quality control of all types of INFID information products.