

## **Protest of Civil Society to WB-IFC about the FIP Development Process in Indonesia**

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To:

Ms. Joyita Mukherjee, Senior Operations Officer, IFC [jmukherjee1@ifc.org](mailto:jmukherjee1@ifc.org)

Dr. Michael Brady, East Asia Forestry Program Manager at IFC [MBrady1@ifc.org](mailto:MBrady1@ifc.org)

Dr. Gerhard Dierterle, World Bank, [GDierterle@worldbank.org](mailto:GDierterle@worldbank.org)

Mr. Werner Kornexl, World Bank, [wkornexl@worldbank.org](mailto:wkornexl@worldbank.org)

For the past three years, Indonesian CSOs have continued to seek information about and provide input into the proses and substance of the Forest Investment Plan in Indonesia. Nonetheless, until now, important questions about many aspects of the FIP process and FIP activities have not yet been answered by FIP representatives at the World Bank and IFC despite the fact that these questions have been sent in writing directly to the FIP representatives at the World Bank and IFC.

For example, on 30 October 2013, a number of CSOs sent a letter to the World Bank/IFC with a list of very specific questions. These written questions were submitted with the hope of receiving a written response from the Bank and the IFC regarding: <sup>1</sup>

- The violation of FIP requirements / safeguards regarding consultation: the FIP Design Document requires an eight stage consultation process, including for “investment strategies.” Indonesia’s Forest Investment Plan is an investment strategy and the development of the FIP triggers consultation requirements. Nonetheless, the development and process of the drafting of FIP Indonesia demonstrated a lack of meaningful consultation or fulfillment of the principle of Free, Prior, Informed Consultation or Consent.
- The violation of FIP requirements / safeguards which forbid FIP support for industrial logging: The IFC portion of the FIP actually plans a program to support industrial logging in natural forests in an area of up to 700,000 hectares in West Papua, Sulawesi and East and West Kalimantan;
- Detailed and specific questions were also submitted to the IFC about:
  - ✓ The process of choosing large scale private sector partners in the forest sector, given that according to an INTERPOL report, this sector is at a high risk for money laundering, tax evasion and corruption, not to mention frequent violence and violations of human rights.
  - ✓ The process of due diligence carried out by the IFC to ensure that the IFC’s large scale private sector partners are free of money laundering, tax evasion and corruption as well as human rights violations;
- The attitude towards the involvement of the Indonesian National Army (TNI) in FIP projects. The Ministry of Forestry and the Commander in Chief of TNI have already developed cooperation to “rehabilitate conservation areas”, specifically in conflict regions. A formal cooperative work agreement )No. NK.06/Menhut-V/2011 and No. Kerma/7/III/2011 was signed directly by the Minister of Forestry, Ir. Zulkifli Hasan and the Commander in Chief of TNI, Laksamana Agus

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<sup>1</sup>FIP Indonesia: *Pertanyaan yang tidakdijawabdanpelanggaran criteria FIP - Mencarijawabanlangsungdansegeradari Bank Duniadan International Finance Corporation;*

Suhartono on 24 March 2011. There have been documented cases of conflict and human rights violations in the forest sector which have had the involvement of armed forces.

- Explanation about the method for the use of the highest safeguard standards, including the use of national laws or regulations only “to the extent to which they have standards which are higher than those of the World Bank.” (FIP Indonesia, para 46.
- The use of the “do no harm” standard recommended by the ADB for the FIP.
- The provision of information / information dissemination related to draft project documents which, according to the original schedule, have already been written and should have been made public. The fact is that, until now, there is still FIP information which has not yet been distributed to the public, including details about the “meaningful consultation” process or the proposed location of FIP projects.
- Clarification as to whether decisions about FIP projects will rest solely in the hands of Bank and IFC management or whether Executive Directors of the Bank and IFC have the right to examine and vote to approve or reject Bank and IFC projects under the FIP, given the substantial risks to communities and their forests.
- The development of the implementation, preparation and project evaluation schedule, including the proposal of WB and IFC projects to management and Board of the Bank and IFC. (A schedule was made public but was not consistently implemented or updated.)

In response to these questions submitted by CSOs on 30 October 2013, the IFC, on 9 November 2013, provided a very short answer. Instead of replying to the detailed CSO questions<sup>2</sup>, the IFC only made the following suggestions:

- Please see the “Updated Matrix” of February 2013, that is, a document which had already been posted online 8 months before the CSOs sent their list of questions. (The CSOs had already read this document prior to writing.) The strange thing was that, in the aforementioned matrix, the FIP Team had promised that “in the upcoming year 2013” they would carry out public consultations, something which did not happen. The matrix also stated that the FIP Team had “requested that the National Forestry Council (DKN) facilitate meetings and dialogue with stakeholders” and noted, alarmingly, that DKN “had only recently approved a definition of “important public consultations” [sic: an apparent mis-translation of “meaningful consultations”] in September 2012.<sup>3</sup> This means that DKN only agreed on a *definition* of consultation in September 2012, *after* the DKN meetings had been held with “stakeholders” in order to produce the FIP Indonesia plan, the draft of which was finalized in October 2012 and submitted to the FIP Committee for approval.
- In reality, there was no process of “meaningful consultation” or fulfillment of the principle of FPIC in the process of the development of FIP Indonesia which was hosted by DKN. In fact, the Head of the DKN Presidium stated, “Regardless, FIP as a formal program of the Indonesian government, will be carried out in accordance with government plans.<sup>4</sup> This statement, not only

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<sup>2</sup> IFC, Joyita Mukherjee, Re: A Letter of Concerns and Continuing Unanswered Question About Indonesia FIP, 11/8/13

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<sup>4</sup> DKN, LAPORAN KEGIATAN, Fokus Group Diskusi Menindaklanjuti Dialog Nasional Program Investasi Kehutanan di Indonesia, Diselenggarakan Oleh Dewan Kehutanan Nasional (DKN) Hotel Grand Aston - Yogyakarta, 19 Juli 2013, hal 3.

represents a violation of FIP safeguards which require an eight part process of consultation, but also of all “meaningful consultation” and “free, prior, informed consultation” or consent requirements, because the DKN’s approach means that communities do not have the right to choose whether they agree / consent or do not consent to the FIP process or FIP projects.

- **Please see the document “Information Sharing and Outreach Events for the FIP...”** of 28 October 2013, that is, a 4-page document prepared by the WB, IFC and ADB and which consists of list of activities of the FIP Team between November 2012 and September 2013. This document actually proves that there has not yet been a meaningful consultation process at all during the development of the FIP. The activities which are listed in this document include: 13 meetings held by WB, IFC or ADB with Indonesian government agencies/officials; 8 meetings with donors; 3 meetings with (unnamed) private sector representatives, 3 meetings with World Bank partner, WWF; two meetings with (unnamed) Indonesian CSOs and Laos CSOs, including one meeting in Laos and one meeting with (unnamed) CSOs in West Kalimantan to “inform them about the endorsement of the FIP”, etc.

The document also listed an “informal lunch” with CSOs “which had formerly been critical towards the FIP”, naming Solidaritas Perempuan (Women’s Solidarity for Human Rights) and Walhi (Friends of the Earth – Indonesia) as “invitees.” However, the document provided no indication of the results of the discussion, nor a list of the actual attendees. Neither Walhi or Solidaritas Perempuan attended this “informal lunch” at all. It is very unclear why a document which purports to provide a formal chronology of outreach activities would include names of CSOs who did not attend an “informal lunch.” An informal lunch, of course, cannot be claimed to be a public consultation.

- In addition, this document also mentions a “National Dialogue about DGM and FIP” hosted by DKN in July 2013, but nevertheless, the document does not actually describe what happened at this meeting, where many questioned the process and substance of the FIP and the DKN’s own “Community Chamber” [“Kamar Masyarakat”] stated their rejection of the FIP, as an outcome of the National Dialogue. This was not mentioned in the document provided by IFC, WB, ADB.
- The “Information Sharing and Outreach Events” document sent by the WB and IFC in lieu of a direct reply to CSO questions about consultation actually demonstrates how, until now, in general, they more often meet with government agencies and bilateral donors, while meeting with potentially affected communities and CSOs has not been a priority for the FIP Team. On those occasions when they meet with community representatives or CSOs, those processes are a form of “socialization” of information from MDBs and the government and certainly cannot be considered a consultation process in compliance with FIP requirements. (See Annex III for the original document with CSO notes in the margins.)

**Let’s meet to discuss this:** Rather than actually provide direct and clear written answers to continually unanswered CSO questions, the Bank and IFC ask CSOs to meet with them. As if CSOs must (once again) come to discuss, in the absence of written materials provided by the WB/IFC, and not the WB/IFC being required to provide clear and transparent information to CSOs and the Indonesian public.

Learning from the experience of CSOs who have attended FIP “socialization” (not consultation) meetings, including those hosted by DKN – where written information is not provided in advance to attendees, minutes of meetings do not record important input from attendees (including that pertaining to concerns regarding the potential for military activities linked to the FIP) – it is very important to obtain written

answers to the questions which have been submitted by CSOs. It is only in this manner that clear and transparent information can be provided directly to civil society and all concerned parties including those who are in various regions and islands distant from Jakarta and who may not be able to attend such a meeting.

As public financial institutions supported by taxpayers in many countries, the Bank and the IFC must provide a clear explanation about these issues in of importance both to taxpayers and also to communities potentially impacted by the FIP.

Until now, FIP has often been portrayed as a project which has a goal of reducing forest degradation and increasing sustainable forest management which reduces emissions and increases carbon stocks. Nonetheless, the tendency to refuse to answer important questions, especially in an open manner in writing, adds to concerns that the FIP truly

- (a) will continue to violate requirements and safeguards for the protection of communities – women and men - and the environment;
- (b) will continue to violate the process of meaningful consultation and the requirement to provide early/prior information in order to receive comments from communities;
- (c) will contravene the rights of communities to make their own decisions about their own fate, and;
- (d) will have a substantial negative impact on communities and their forests.

Proof of this is that the FIP Team, that is, the World Bank, IFC, ADB with the Indonesian government, have already agreed to propose plans to take an area of 1.67 million hectares for FIP projects, including up to 700,000 hectares of natural forest, for an IFC industrial logging program. This not only violates the FIP's own safeguards, but was done without the agreement of communities or the recognition of their rights, including the rights of women who are dependent upon forests for the livelihood of their families.

We note that both the IFC and WB have funded activities linked to violence, including the IFC's violent Dinant palm oil case in Honduras, and Wilmar in Indonesia, involving substantial human rights abuses by armed forces associated with the private sector. On April 4, 2014 in a presentation to the IFC Executive Directors, the IFC admitted that they underestimated the broader risks involving security forces, had limited ability to address issues of land conflicts and violence and ensured the Board that, in the future, IFC due diligence would include a focus on the use of security forces in conflict areas.<sup>5</sup> We see no evidence of any assessment of the use of security forces occurring in Indonesia by either the IFC or the World Bank, something of deep concern to civil society.

Given these developments, and the tendency to force upon the public, policies which harm communities -- women and men -- and the protection of forests, we urge the Bank and the IFC to stop practices / projects which clearly violate safeguards, including FIP safeguards, and harm communities and their forests, as follows:

1. Cancel plans for the IFC FIP project which will use up to 700,000 hectares of intact forest for industrial logging, a direct violation of FIP safeguards.
2. Carry out a consultation process, in accordance with the FIP requirements (eight steps) and the MDB's own safeguards, with communities – women and men – and CSOs as the primary stakeholders in FIP activities, without coercion or other efforts to prevent communities from freely expressing their consent or lack thereof.

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<sup>5</sup> IFC, "IFC's Environmental & Social Lessons Learned" ,Technical Briefing for the Board of the IFC, April 4, 2014.

3. Provide written answers to the questions in Annex I which have been repeatedly raised by CSOs, including an assessment of the role of security forces in the forest sector in Indonesia, and in proposed FIP areas;
4. Describe, in writing, the independent grievance mechanism available to the public to file complaints regarding the violations of FIP safeguards, including the ban on investments in industrial logging and the consultation process.

Thank you for your attention to this matter.

CC:

Executive Directors of the World Bank and IFC  
Tim Reiser, Senate Appropriations Committee  
Jon Stivers, House Democratic Leader Pelosi  
Dan McGlinchey, House Committee on Financial Services  
FIP Secretariat  
FIP CSO Observers  
FIP Sub-Committee Members  
US State Department

Enclosures:

Annex 1: Questions for the World Bank and IFC  
Annex 2: Guidelines for Consultations to be carried out in accordance with subparagraph 16 (d) of the Design Document for the Forest Investment Program  
Annex 3: Comments on the “Updated Matrix of Comments and Responses on the Indonesia Forest Investment Plan”, Feb. 2013.

NGO Signatories:

1. Puspa Dewy (Solidaritas Perempuan), Jakarta
2. Rio Ismail (The Ecological Justice/Lembaga Keadilan Ekologi), Jakarta
3. Stephanie Fried (Ulu Foundation), USA
4. Abetnego Tarigan (Wahana Lingkungan Hidup Indonesia/WALHI), Jakarta
5. Sugeng Bahagijo (*International NGO Forum on Indonesian Development/INFID*), Jakarta
6. Dani Setiawan (Koalisi Anti Utang), Jakarta
7. M. Riza Damanik (Indonesia for Global Justice/IGJ), Jakarta
8. Mohammad Djauhari (Konsorsium Pendukung Sistem Hutan Kerakyatan/KPSHK), Jakarta
9. Uli Parulian Sihombing (Indonesia Legal Resource Center/ILRC), Jakarta
10. Rivani Noor (Yayasan Cappa), Jambi
11. Y.L. Franky (Yayasan PUSAKA), Jakarta
12. Koesnadi Wirasapoetra (Sarekat Hijau Indonesia), Jakarta
13. DD. Shineba (Konsorsium Pembaruan Agraria/KPA), Jakarta
14. Abdul Halim (Koalisi Rakyat untuk Keadilan Perikanan/KIARA), Jakarta
15. Lahmudin Yoto (Yayasan Tanah Merdeka/YTM), Sulawesi Tengah
16. Ahmat Pelor (Wahana Lingkungan Hidup Indonesia/WALHI Sulawesi Tengah)
17. Arie Rio Rompas (Wahana Lingkungan Hidup Indonesia/WALHI Kalimantan Tengah)

18. Ismet Soelaiman (Wahana Lingkungan Hidup Indonesia/Walhi Maluku Utara)
19. Ahmad Bahsoan (Jaring Advokasi Pengelolaan Sumberdaya Alam/JAPESDA), Gorontalo
20. Salma Safitri Rahayaan (Suara Perempuan Desa/Rural Women's Voices), Batu, Jawa Timur
21. Mohamad Taufik D. Umar (Lembaga Bantuan Hukum Poso), Sulawesi Tengah
22. Riza V. Tjahjadi (Yayasan BioTani Bahari Indonesia), Jakarta
23. Nordin (Save Our Borneo), Kalimantan Tengah
24. Estu Fanani (CEDAW Working Group Indonesia/CWGI), Jakarta
25. Siti Maemunah (Tim Kerja Perempuan dan Tambang), Jakarta
26. M. Tarech Rasyid (Yayasan Kuala Merdeka) Sumatra Selatan
27. Bonnie Kertaredja (Solidaritas Perempuan Kinasih) Jogjakarta
28. Kamajaya Al Katuuk (Lembaga Kajian Kebijakan Pembangunan/LKKP), Sulawesi Utara
29. Ardani Hatta (Solidaritas Perempuan Sumbawa), Nusa Tenggara Barat
30. Ida Ruri Sukwati (Solidaritas Perempuan Palembang), Sumatra Selatan
31. Ari Sunarijati (Federasi Serikat Pekerja Seluruh Indonesia/FSPSI Reformasi), Jakarta
32. Welly Mataliwutan (Lembaga Bantuan Hukum Manado), Sulawesi Utara
33. Syarief Hidayat (Yayasan Dian Rakyat Indonesia/YDRI) Sulawesi Utara
34. Jumiati Lestari (Solidaritas Perempuan Anjing Mammiri Makassar/SPAM), Sulawesi Selatan
35. Shantoy Hades (Pergerakan Indonesia), Jakarta
36. Muhammad Reza Sahib (Kolaisi Rakyat untuk Hak Atas Air/KRuHA), Jakarta
37. Ida Ruwaida (Solidaritas Perempuan Palu), Sulawesi Tengah
38. Ambo Masse (Yayasan Lembaga Konsumen) Sulawesi Selatan
39. Paulina Rusu (Solidaritas Perempuan Poso), Sulawesi Tengah
40. Rizki Affiat (Asia Justice and Rights), Aceh
41. Lia Baiq Zulhiatina (Solidaritas Perempuan Mataram), Nusa Tenggara Barat
42. Agus Sutomo (Serikat Tani Serumpun Damai), Kalimantan Barat
43. Herman Kajang (Komite Pemantau Legislatif/KOPEL), Jakarta
44. Kencana Indrishwari, (Kelompok Peduli Penghapusan Tindak Kekerasan terhadap Perempuan Dan Anak/ KEPPAK Perempuan), Jakarta
45. Feri Irawan (Perkumpulan Hijau), Jambi
46. Etal Syahrudin (Jaringan Advokasi Tambang/JATAM) Sulawesi Tengah
47. Abdul Rahman Sembahulun (Ketua Kemangkuan Adat Tanah Sembahulun), Lombok Timur, Nusa Tenggara Barat
48. I Wayan Tirja Nugraha (Lembaga Informasi dan Advokasi Sosial/LIMAS), Denpasar, Bali
49. Cut Risma Aini (Solidaritas Perempuan Bungong Jeumpa Aceh), Aceh
50. Rina Bakrie (Yayasan PUSPA Indonesia), Sumatra Selatan
51. Yudi Fahrian (Lembaga Bantuan Hukum Anak Indonesia), Sumatra Selatan
52. Yohanes P. Simanjuntak (Lembaga Pendidikan, Pengkajian dan Pembelaan Hak Azasi Manusia/LP3HAM), Sumatra Selatan
53. Faisal Ratuella (Lembaga Pesisir dan Laut), Maluku Utara
54. Najamudin M. Daud (Kelompok Sahabat Alam), Maluku Utara.
55. Michelle Chan (Friends of the Earth US), USA
56. Korinna Horta (Urgewald), Germany
57. Dario Kenner (Bretton Woods Project), UK
58. Pieter Jansen (Bothh ENDS), Netherlands
59. Andrew de Sousa (Focus on the Global South), Thailand

60. Pol Vandervort (11.11.11. - Coalition of the Flemish North-South Movement), Belgium
61. Evelyn Schönheit / Jupp Trauth (Forum Ökologie & Papier), Germany
62. Maurice Ouma Adhiambo (Jamaa Resource Initiative), Kenya
63. Andrey Laletin (Friends of the Siberian Forest), Russia
64. Anne Petermann (Global Justice Ecology Project), USA
65. John M. Miller (East Timor & Indonesia Action Network (ETAN), USA
66. Donald B. Clark (Network for Environmental & Economic Responsibility Of United Church of Christ), USA

Individual signatories:

1. Orchida Ramadhania (periset di The Ecological Justice), Jakarta
2. Aliza Yuliana (Aktivis Perempuan), Jakarta
3. Charil Syah, SH (Public Interest Lawyer), Jakarta
4. Suraiya Kamaruzzaman (Anggota Solidaritas Perempuan Bungong Jeumpa Aceh), Aceh
5. Nurhidayah (Aktivis Perempuan Jabotabek), Jakarta
6. Sandra Dewi Dahlan (Mahasiswa), Yogyakarta
7. Endang Herdianti (Aktivis Perempuan Palu), Sulawesi Tengah
8. Evani Hamzah (Aktivis Perempuan Poso), Sulawesi Tengah
9. Zenzi Suhadi (Aktivis Lingkungan Hidup), Jakarta
10. Maya Safira Latopada (Aktivis Perempuan Palu), Sulawesi Tengah
11. Ratna Sary (Anggota Solidaritas Perempuan Bungong Jeumpa Aceh), Aceh
12. Itha Karen (Aktivis Perempuan Makassar), Sulawesi Selatan
13. Vivian Idris (Aktivis)
14. Wahidah Rustam (Aktivis Perempuan), Jakarta
15. April Perlindungan (Aktivis), Kalimantan Tengah
16. Arief Rachman (Aktivis Lingkungan) Sulawesi Tenggara
17. Rudi Putra (Aktivis), Leuser
18. Hirim Nurliana, (Aktivis Perempuan), Jakarta
19. Andriyeni (Aktivis Perempuan), Sumatera Barat
20. Donna Swita (Aktivis Perempuan), Aceh
21. Nisa Anisa (Aktivis Perempuan), Bogor – Jawa Barat
22. Rina Marlina (Aktivis Perempuan), Tasikmalaya – Jawa Barat
23. Rudi Putra (Pegiat Konservasi di Leuser/Penerima Future for Nature Award 2013)
24. Nidar Puteh (Aktivis Perempuan Banda Aceh), Aceh
25. Ruwaida Ismail (Aktivis Perempuan Banda Aceh), Aceh
26. Faisal (Aktivis Banda Aceh), Aceh
27. Selamat Daroyni (Aktivis Lingkungan), Jakarta
28. Clara Amelia (Mahasiswa), Jakarta
29. Diecky Pratama (Mahasiswa), Gorontalo
30. Sitti Aisyah (Aktivis Perempuan Makassar), Sulawesi Selatan
31. Andy Asri (Aktivis), Makassar
32. Hasniah dg Kebo (Aktivis), Makassar
33. Nurdin Rusana (Aktivis), Makassar

34. Eva Clara (Aktivis), Makassar
35. Hasdawiyah (Aktivis), Makassar
36. Irman Rahman (Aktivis), Makassar
37. Armayanti Sunusi (Aktivis Perempuan), Lampung
38. Carmelita Mamonto (Penggiat Perempuan di lingkaran Tambang), Maluku Utara
39. Astuty N Kilwouw (Penggiat Perempuan di lingkaran Tambang), Maluku Utara
40. Hasmarani Nento (Penggiat Perempuan di lingkaran Tambang), Maluku Utara.