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The European Union signs its largest contribution ever to education in Indonesia, worth an initial € 200 million (Rp 2.4 trillion)

On the 25th of May, the Director General of Debt Management of the Ministry of Finance, Mr. Rahmat Waluyanto, PhD, the Minister of National Education, Professor Mohammad Nuh, and the European Union Commissioner for Development, Mr. Andris Piebalgs, will sign a Financing Agreement for an EU grant of € 200 million (Rp. 2.4 trillion) to the new "Education Sector Support Programme", to support Indonesia's efforts towards achieving the education-related Millennium Development Goals and providing nine years of quality basic education to all children by 2015.

The signing ceremony will take place in the context of a two-day "Indonesia Education Partnership Forum" organised jointly by the Ministry of National Education and the EU. The Forum gathers ten development partners of the EU to share and discuss with Government representatives and education stakeholders the lessons learned from their support to basic education.

The Education Sector Support Programme will be jointly supported by the EU and AusAID, whose contribution is expected to be announced later this year. The EU grant contribution will be channelled as sector budget support and as such will directly support key policies and strategies in the new education Renstra 2010-2014 to ensure nation-wide access to, quality of, and governance in basic education services.

The Minister of National Education stated: *"The Government sees the provision of quality education to all children as a key priority, therefore we welcome the new EU grant. The type of support is also fully in line with the Jakarta Commitment for Aid Effectiveness, which were signed in early 2009 between the Government and the donor community, by respecting the Government ownership and leadership, aligning with and supporting our own education priorities as laid out in the Renstra 2010-2014, and harmonising several development partners. In addition, it will support the development and implementation of education strategies nationwide, for the benefit of all children in schools, with a focus on reducing disparities between provinces and districts. The Indonesia Education Partnership Forum is also a good opportunity to discuss with the development partners how we should further improve our education strategies, based on their experience".*

Commissioner Piebalgs emphasised the significance of this new way of providing aid: *"It is the first EU budget support in Indonesia, and the second largest EU budget support operation in Asia. This support marks a very important new phase in strengthening and extending the partnership between the European Union and Indonesia in education. Budget support will allow Indonesia to receive predictable aid that is aligned with the Government's own policy priorities and follows the Government's own budgetary procedures. It responds to the EU commitment to deliver aid faster, better and more effectively. By focusing performance review on results, budget support also fosters a real policy dialogue between the donor and the partner country, based on mutual trust".*

Up to 25% of the total budget support is a variable component used as an incentive measure against achieving key agreed results relating to increasing access to education, achieving education quality standards and school accreditation, and developing capacity of school principals, supervisors and key district officials in managing the delivery of basic education. In addition, a stable and predictable level of support will be provided each year against overall improvement in public finance management, continued stability-oriented macroeconomic policy, and progress in implementing the education sector Renstra.

As part of the EU-funded € 200 million contribution to the Education Sector Support Programme, the EU will provide € 20 million (Rp. 240 million) over five years to support the Government with technical expertise and access to international knowledge and best practices, in order to implement necessary reforms to achieve its education objectives. This technical cooperation component will be managed by the Asian Development Bank.

Note to editor:

Budget support is a way of implementing development aid, which consists in giving financial aid to the treasury of the recipient country. Budget support is entered in the national budget and is therefore subject to the same decision-making procedures and parliamentary controls as domestic revenue and expenditure. This aid increases the resources available to the recipient country to implement its own budget according to its own procedures. Budget support is not designed to finance any specific project but to enable the government to implement its own policies. The aim is to support improvement in the country's own capacity, the effectiveness of its systems, its organisation and its institutions.

Sector budget support is not direct funding for a given sector. It is not allocated, and the decision on the amount of financing for the sector is taken in the framework of the Government overall budgetary discussions. However, it provides predictable resources that enable the country to strengthen its sector policy, and focus dialogue and attention on achieving specific results in that particular sector.

Budget support is the most suitable form of development aid for fulfilling commitments under the Paris Declaration on aid effectiveness, which was translated into the Jakarta Commitment signed in early 2009 between the Government of Indonesia and the donor community. The five aid effectiveness principles are: ownership and leadership of the beneficiary country; alignment on the priorities and procedures of the beneficiary country; harmonisation of donor action; result-oriented management; and mutual accountability.

EU's current bilateral cooperation in education is implemented through three major partners, the Asian Development Bank, UNICEF, and the World Bank. In addition, six non-governmental organisations are supported, reflecting the importance of involving civil society in education reforms. AusAID will partner with the EU for implementation of the new Education Sector Support Programme.

The topics of the Indonesia Education Partnership Forum cover key challenges in basic education: governance of education at local levels; effective use of education budgets; inclusive and child-friendly education; improving classrooms practices; and ensuring and assuring education quality. The Forum includes an exhibition displaying the work of MoNE and EU development partners in basic education.

The EU and Indonesia – Background Note

The EU and Indonesia: Development Co-operation at the Heart of a Maturing Relationship

The world is changing fast and all countries must adapt to its changing geo-political realities. The European Union (EU) and Indonesia are no exception and, with the signature of our wide-ranging EU-Indonesia Partnership and Co-operation Agreement (PCA) in November 2009, we have brought our relations firmly into the 21st century. The Agreement ensures that our alliance will continue to make a positive difference to our respective citizens' lives, in areas such as student exchanges and job creation, and that we will cooperate more and more on the global stage on shared concerns, such as climate change.

Indonesia is developing fast – it has attained middle-income status and has enviable growth rates. It is an opportune moment to reflect on how such impressive progress should re-define our bilateral relations in the sphere of development co-operation.

First, our shared values must steer our shared development priorities. Both Indonesia and the EU believe that "quality education for all" is an indispensable ingredient for poverty reduction and increased competitiveness. The progress made by Indonesia is impressively clear but so are the remaining challenges, such as reducing regional disparities and improving quality. That is why, on 25th May, the EU will provide € 200 million in budget support to basic education in Indonesia, with a similar amount planned for 2012.

We also recognise that health services are vital to the development and quality of life of all Indonesians, rich and poor alike. That is why the EU is investing over € 350 million in Indonesia via the Global Fund to fight HIV/AIDS, Tuberculosis and Malaria as well as € 35 million to improve primary health care in 3 provinces and tackle Avian Flu.

Second, the EU and Indonesia have impressive economic ties. Two-way trade is close to € 20 billion per year – with Indonesia enjoying a surplus with the EU of over € 5 billion per year. The EU is the second largest export market for Indonesia's exporting companies and some 750 European companies have invested in Indonesia. These ties secure great Indonesian exports for the EU consumer while also creating jobs and services here in the Indonesian economy. To help maintain this Indonesian growth engine, the EU is providing preferential trade access for Indonesia's exporters through our GSP trade regime and investing € 30 million in trade-related technical assistance to Indonesia. Indonesian President Susilo Bambang Yudhoyono and European Commission President José Manuel Barroso have agreed to intensify trade cooperation, including establishing a new vision group to map out future relations.

Third, the EU and Indonesia have made a clear commitment to improving the quality of development cooperation. This is well illustrated by our determination to provide substantial funds, focused on the Millennium Development Goals and channelled through the government budget, in line with the 2009 Jakarta Commitment on aid effectiveness.

In conclusion, we both draw satisfaction from the fact that our co-operation on development matters is keeping pace with the positive evolution of the EU-Indonesia relationship and contributing to anchoring our partnership in a modern, democratic and outward-looking view of the world. We look forward to developing our cooperation further in the Asia Europe Meeting on Development Conference to be held in Yogyakarta on 26th – 27th May and trying to persuade other development partners to shift their support down the same progressive path.