MINISTRY OF ENVIRONMENT
REPUBLIC OF INDONESIA

TOWARDS INDONESIA’ GREEN ECONOMY: Policy Initiatives to promote Green Jobs

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Structure of Presentation

- Background: Why GE matters?
- Existing Portraits and Policy Initiatives
- Experiences and Lessons Learned
- Further Development: Opportunities and Challenges
- Closing Remarks

Why Green Economy matters?

for Indonesia

- Environmental condition is deteriorating & GHG emission tends to increase;
- Absence of market and economic value on environment/climate friendly investment and technology;
- Lack of priority, both politically and technically, to support environment/climate friendly initiatives
- Limited options of policy instruments, incl. legal basis to develop various incentives;
- Unsustainable consumption and production pattern requires proactive roles of various stakeholders

Environmental Quality Index of Islands
(av. 2006 – 2008)

Main Islands	EQI
1. Papua	75,29
2. Sulawesi	73,66
3. Bali dan Nusa Tenggara	68,96
4. Sumatera	64,63
5. Kalimantan	62,01
6. Jawa	53,50
Indonesia	**60,07**

Based on 3 indicators: surface water quality, air quality and land coverage

Source: MoE, ESP2 DANIDA, 2009

Indonesian Green GDP

Source: MoE, ESP2 DANIDA, 2009

Legal and Policy Framework of GE in Indonesia

Long Term National Development Plan
(Law 17/2007)

Medium Term NDP
(National Priorities)

Law
32/2009

Programs at Ministries

Other government regulations

Other related Laws

Source: Fauzi, A, 2010

POLICIES as well as **MARKET FAILURES**

(subsidized growth, distorted energy prices, no internalized pollution cost)

are main causes of the current environmental problems.

INTERVENTIONS FOR MARKET CORRECTIONS AND CHANGING BEHAVIORS

POLICY INITIATIVES

adipura

Ramah Lingkungan

PENDIDIKAN LINGKUNGAN HIDUP INDONESIA

acil anak cinta lingkungan

Program Warga Madani

PROPER

include **INCENTIVE/DISINSENTIVE SCHEMES**

Non Monetary Incentive Initiatives

(recognition, publication, technical facilitation, etc)

- **ADIPURA** (a Clean and Green Cities award programme)
- **KALPATARU** award program (for individual/group/ company for their dedication to the environmental management practices)
- **INDONESIA ECOLABEL SCHEME**

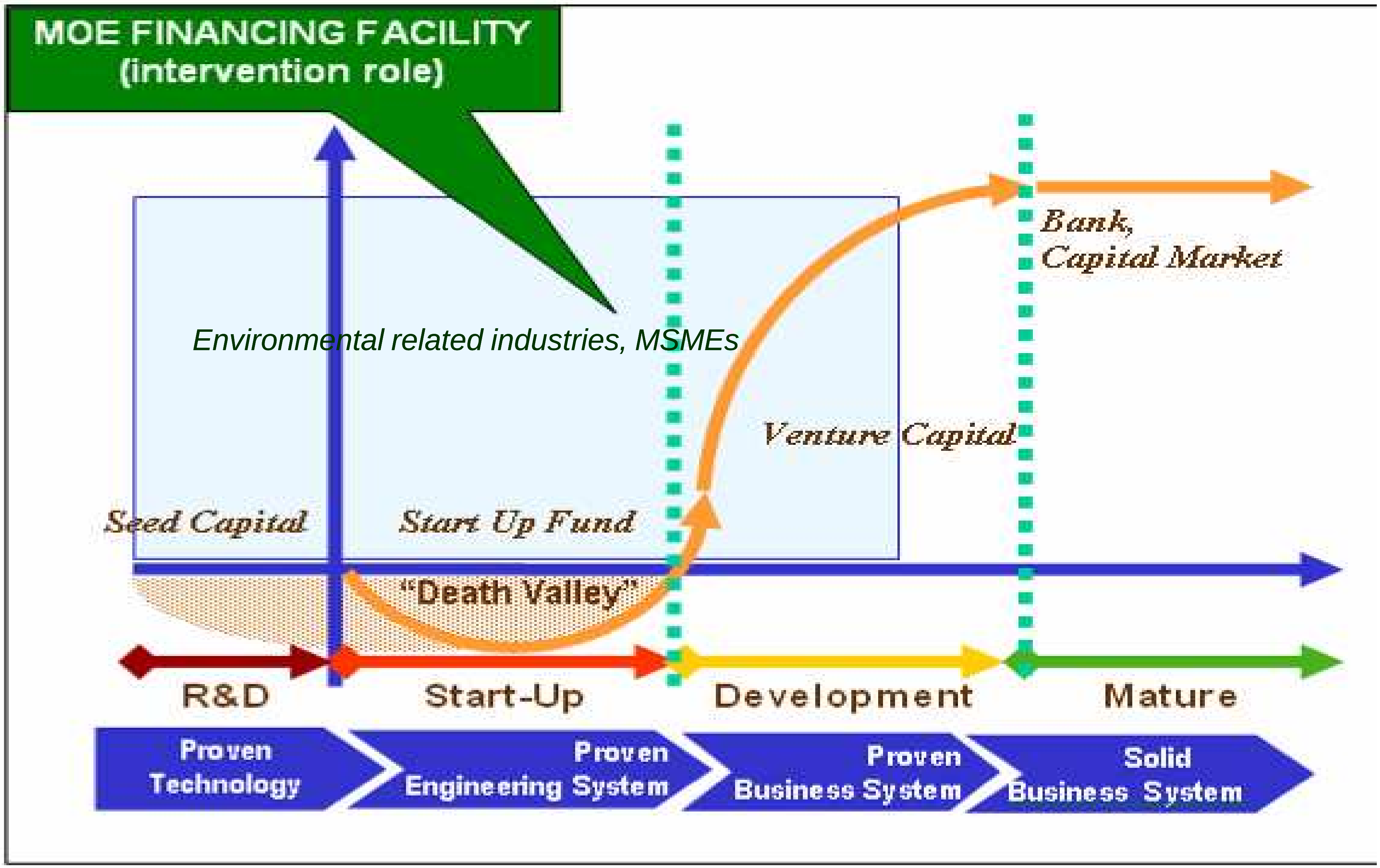
- **PROPER** (Business Environmental Performance Rating)
- **ICPC** (Indonesian Cleaner Production Centre)
- ECO-INDUSTRIAL ESTATE, 3R etc

Monetary Incentive Schemes

To enhance environmental quality in Indonesia through providing **financial assistance** to companies, esp. MSMEs which have limited financial access to banks in order to be able **invest in environmentally friendly technologies**, while at the same time supporting the companies to be in better position in terms of product competitiveness.

- **Environmental Soft Loan Programs**
- Import Duty Exemption Schemes
- Subsidy/grant programs
- Special Allocated Fund for environmental management by Local Government
- Tax reduction (possible)
- Multilateral fund → GEF, ODS phase-out grant
- CDM, etc

EXPERIENCES AND LESSONS LEARNED



We finance…

- •Pollution abatement equipment
- •Waste minimization/reduction
- •Solid waste management
- •Production and Energy Efficiency
- •Waste to energy
- •3R, organic fertilizer
- •Renewable energy
- •etc













We change…

- **Perception on cost-center investment to long-term benefits and profit-oriented;**
- **Environmental investment is a real investment;**
- **Resource efficient oriented**
- **Trust and confident of stakeholders, esp. Financial institutions**

GREEN ECONOMY

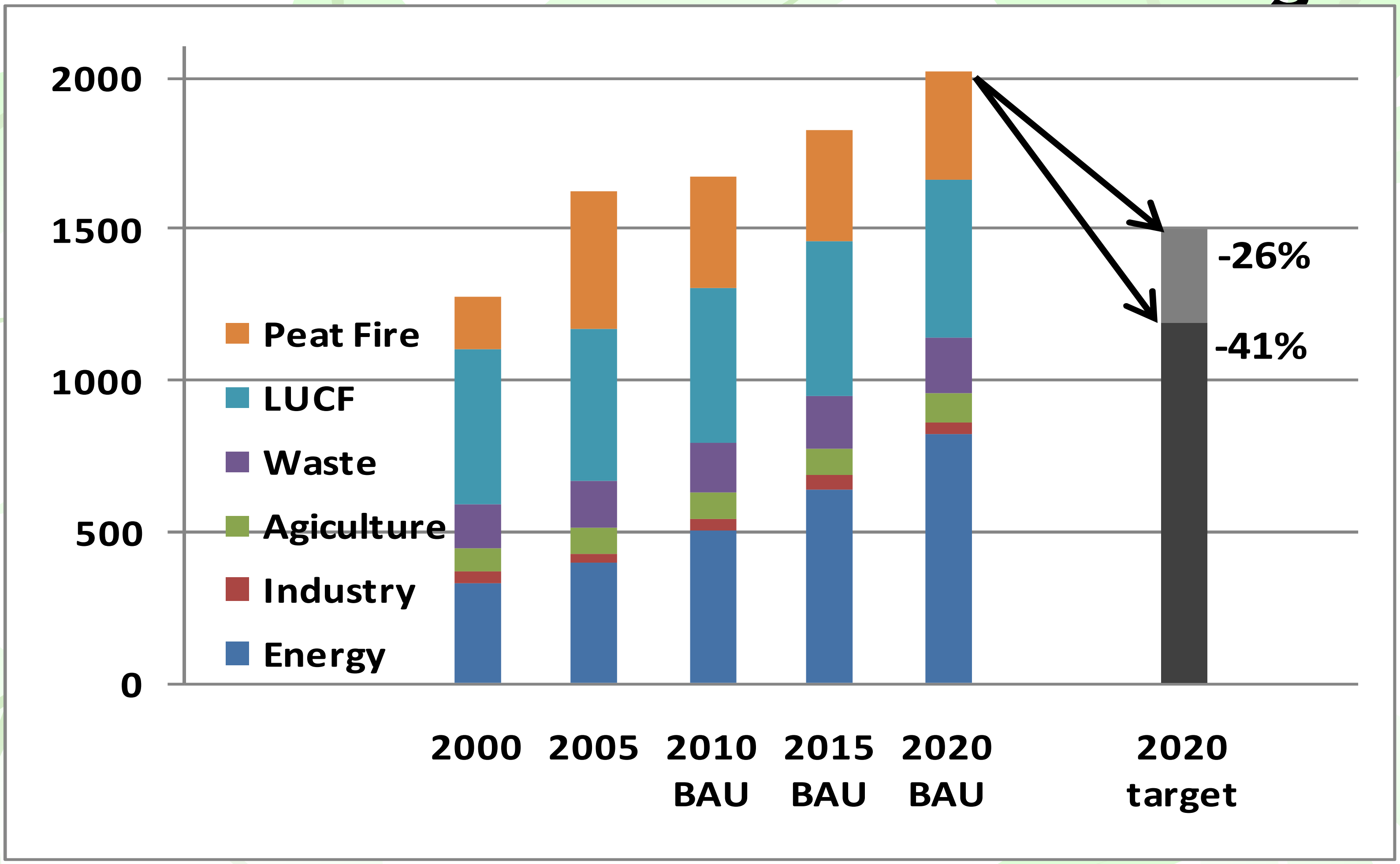
" Indonesia is of the view that Green Economy is a development paradigm that based on resource efficiency approach with strong emphasizes on internalizing cost of natural resource depletion on environmental degradation, efforts on alleviate the poverty, creating decent jobs, and ensuring sustainable economic growth"

(Indonesian Delegation/DELRI, UNEP 11th G SS, February, 2010)

Green Jobs is important element of GREEN ECONOMY from Indonesian prespective

- Poverty is still main challenge;
- Low willingness to pay for environment value and services;
- Current paradigm is contradicting policy objectives: increase production vs sustainable production;
- Media influences to consumerism and life style;
- Challenges for low carbon development.

Indonesia’s 2020 carbon challenges



Business-as-usual growth assumptions are critical do define 2020 target.

Here, for illustration: energy 5%/yr; forest & peat constant at 2000-05 average; rest 1%/yr

2000-05 levels preliminary draft SNC data (August version)

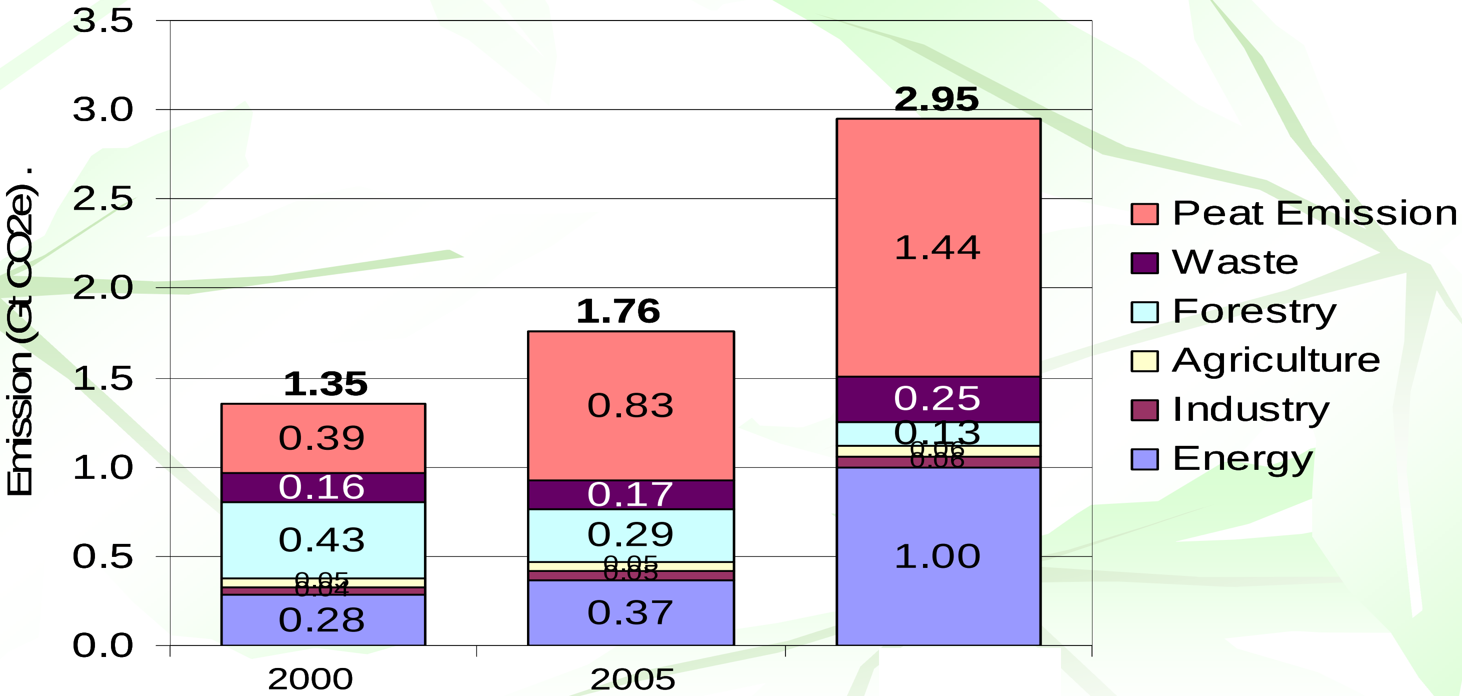
Note DNPI/McKinsey study has **higher emissions levels and higher BAU growth rates.**

Source: MoF Green Paper Economic and Fiscal Policy Strategies for CC in Indonesia,, 2009

Indonesia's Non-binding Emission Reduction Target 26% and 41%

Mitigation Strategies

- Non-binding emission reduction target of 26% will be equal to 0.767 Gt.
- Reduce further to 41%, an additional emission reduction (about 0.422 Gt)
- Key source categories are peat emission, forestry, energy and waste



Source: MoF Green Paper Economic and Fiscal Policy Strategies for CC in Indonesia,, 2009

Sector	Target 26 % (Giga ton)	Cost (Trilyun IDR)	Target 41 % (additional reduction 15%) (Giga ton)	Additional Cost (Trilyun IDR)
Energy	0.030	0.1	0.010	75
Transportation	0.008	10	0.008	10
Industry Processes	0.001	0.6 •Gov : 0.1 •Private : 0.5	0.004	2.32
Agriculture	0.008	3.6	0.003	4
Forestry	0.392	46.4 •Gov : 16 •Private : 30.4	0.310	36,93
Waste	0.048	6.1	0.030	5
Peat Emission	0.280	16.5	0.057	35
Total	**0.767**	**83.3**	**0.422**	**168.25**

OPPORTUNITIES for GE and Green Jobs

- Govt has learned from its past development pattern and the need to change;
- Mainstreaming of "green economy" is gaining its support from policy makers and communities;
- Food securities and climate change issues are on the rise in the country;
- Doing "business as usual" proved to be costly;
- Political freedom could a leverage factor for GE initiatives;
- Law 32/2009 explicitly recognized Economic Instruments to support GE.

CHALLENGES for GE and Green Jobs

- Scaling up and/or scaling down current initiatives and find best approaches;
- Leverage support from local government;
- Synergies and harmonize laws and regulations;
- Enhance fiscal support and support from monetary authority and financial institutions;
- Raise awareness on communities at large;
- Build network and collaboration among stakeholders;
- Internalize the initiatives to the national/regional development planning process.

issues related GE and GJ

- “Common perception” of what does it mean for green economy
- Mainstreaming of the green economy to all economic sectors involved
- ways and means to implement green economic programs at individual, private, communities and government levels.
- Structure of financial system and its relation with environmental management
- Capacity buildings for greening economy
- “Earmarking” of environmental fund
- The degree of complexity of implementing economic instrument for green economy when local by laws are present.

Thank you

for further information:

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