

STRENGTHENING THE INSTITUTIONAL FRAMEWORK FOR SUSTAINABLE DEVELOPMENT: CLIMATE CHANGE GOVERNANCE IN INDONESIA

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ABSTRACT

The concept of “green growth” has been connected to “green economy for sustainable development and poverty reduction” the first theme of the 2012 United Nations (UN) Conference on Sustainable Development. The government of Indonesia attempts to remove the barriers to green growth by eliminating costly fuel subsidies, promoting cleaner energy sources, and adopting payment for ecosystems services through the REDD+ program. Some of the policies lead to conflicting outcomes and the herewith associated problems need to be overcome. This paper examines the climate change governance in Indonesia at international level linked with the national action plan and down to sub-national (regional) action plans. The climate policy is strongly determined at national level and is also based on the international climate regime of UN agencies such as UNFCCC with the implementation at national and local level. Due to decentralization of economic and political power to provincial and local governments, coherence is absolutely necessary for existing policies at different levels to ensure a sustainability pathway for achieving green growth. This issue is also relevant to the second theme of the 2012 United Nations (UN) Conference on Sustainable Development, namely the institutional framework for sustainable development. This should involve systematic institutional governance by improving coordination among overseeing institutions.

KEYWORDS: green growth, fuel subsidies, REDD+, climate change governance, institutional framework.

1. INTRODUCTION

The concept of “green growth” has been connected to “green economy for sustainable development and poverty reduction” the first theme of the 2012 United Nations (UN) Conference on Sustainable Development in Rio de Janeiro (United Nations, 2011). This concept was intended as a new way of pursuing economic growth and development whilst avoiding environmental degradation, loss of biodiversity, and unsustainable use of natural resources. The global environmental challenges - such as climate change, biodiversity, scarcity of clean water, and health impact of pollution, - require urgent and holistic action to avoid the significant costs and consequence of inaction (OECD, 2012). Concern over climate change led to the establishment of a new climate regime REDD+ (Reducing Emissions from Deforestation and Land Degradation) mechanism in 2007 at the 13th session of the Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) in Bali. This mechanism has the potential to mitigate GHG up to 22% at global scale with as co-benefits biodiversity conservation, water catchment and cleaner air provision from forest (UN-REDD, 2012).

As a home to the third largest tropical forest, Indonesia covers 790x10⁶ ha with a land territory of about 200x10⁶ ha, of which two thirds is forest. Unlike China and India, most of Indonesia's GHG emissions, the cause of climate change, do not originate from industrial activities, but are mainly due to peat fires and deforestation (Indonesia National Council on Climate Change, 2010). Not surprisingly, Indonesia plays an increasingly important role in the negotiations and institutions for an international "climate regime". The Government of Indonesia (GoI) attempts to remove the barriers to green growth by eliminating costly fuel subsidies in the near future, promoting cleaner energy sources, adopting payment for ecosystems services through the REDD+ program, and innovating its climate funding mechanisms (Jupesta et al., 2011). However, some of the policies lead to conflicting outcomes. There is a need for coherence among existing policies to ensure a sustainability pathway for achieving green growth. This issue is also relevant to the second theme of the 2012 United Nations (UN) Conference on Sustainable Development, namely the institutional framework for sustainable development.

The institutional framework for sustainable development covers a spectrum of institutions at many levels (international, national and regional) that are involved in policy making or implementation activities (United Nations, 2011). This framework has several objectives: -ensuring coherence and policy integration in the economic, social and environmental fields, -improving analysis, assessment and scientific advice, -strengthening implementation, monitoring and accountability, -limiting overlap of activities, -enhancing participation, and -strengthening national and local capacities for sustainable development. Against the background of the aims of the institutional framework, we examine the role of climate change governance in Indonesia at international level linked with national action plan and down to sub-national (regional) action plans.

2. CLIMATE GOVERNANCE IN INDONESIA

The participation of GoI in international climate regime was started by signing and ratifying the UNFCCC and Kyoto Protocol in 1994 and 2004 respectively. While at global level 57% of GHG emissions originate from fossil fuel combustion, at the national level 77% of such emissions in 2005 were caused by peat fires and changes in land use and forestry (LUCF, Indonesia Council on Climate Change, 2010). The total GHG emissions are estimated to grow from 2.1 to 3.3 GtCO₂ between 2005 and 2030 under a business-as-usual (BAU) scenario. GHG emissions from peat fire and LUCF are expected to grow from 1.61 GtCO₂eq to 1.64 GtCO₂ in the same period. The COP 13th UNFCCC held in 2007 agreed to explore the policies and financial incentives that would reduce emissions from deforestation and forest degradation (REDD). Realizing that GHG emissions in Indonesia mostly originate from peat fires and LUCF, the GoI made a path-breaking announcement at the COP 15th UNFCCC in Copenhagen in 2009 stating that the country will reduce its GHG emissions by 26% in 2020 compared to the business-as-usual scenario with base year 2005, and by a further 15% with adequate international support. In May 2010, the Government of Norway and the GoI agreed on a REDD+ Partnership Program, in which Norway will grant 1 billion US\$

for the REDD+ Partnership program if certain forest governance, monitoring and financing objectives are achieved (Solheim, 2010). Still, implementation of this partnership program is facing delay due to the complexity of the carbon accounting system needed to verify progress in reducing GHG emissions from peat fires and LUCF. In 2011, the National Action Plan on GHG Emissions Reductions (NAP-GHG) was created as well as a Master Plan for Acceleration and Expansion Economic Development 2011-2025. Further, in February 2012, the Guideline for Sub National/ Regional Action Plan on GHG Emissions Reduction (RAP-GHG) was launched (Bappenas, 2012).

There are three levels of the climate governance. First, at the international level, the United Nations which directly involves the climate governance issues in Indonesia, via the UNFCCC with other UN Agencies involved such as the UNDP to administer climate funding and the UN-REDD Agency to monitor the REDD+ mechanism in Indonesia. The COP 13th of the UNFCCC meeting in Bali in 2007 includes a vision for long term cooperation and enhances actions on mitigation and adaptation for climate change, with support of technology transfer and funding mechanisms. The Bali Action Plan as the outcome of this meeting identified REDD+ as a new mechanism in international climate regime; this has multiple benefits in addition to protecting or enhancing carbon stocks. This benefit includes 'ecosystem-based benefits' such as conservation of forest biodiversity, water regulation, soil conservation, timber, forest foods and other non-timber forest products. REDD+ can also lead to direct social benefits, such as creation of jobs, livelihoods, land tenure clarification, carbon payments, enhanced participation in decision-making and improved governance (UN-REDD, 2012). The green climate fund established at COP 16th of UNFCCC in Cancun gave the GoI has access to the fast track global fund of 30 billion US\$ from 2010-2012 and in the longer term 100 billion per year by 2020 under two conditions: facilitate infrastructure (policy instruments, physical infrastructure such as road access, and capacity building for human resources), and provides a transparent and accountable system for monitoring, reporting and verifying (MRV) the reductions in GHG emissions.

As a follow up of the Letter of Intent for bilateral cooperation between the governments Indonesia and Norway, a new agency named the Task Force for REDD+ was established in September 2010, which is led by the head of the President's Delivery Unit for Development Monitoring and Oversight. The members of this Task Force are related Ministries: Environment, Energy and Mineral Resources, Agriculture, National Development Planning, Forestry, and Finance. The President's Delivery Unit for Development Monitoring and Oversight was appointed to implement the Letter of Intent with Norway by establishing a REDD+ Task Force under the President's office and coordinating REDD+ programmes through a cross-agency. In addition to the REDD+ agency, the UNDP also administrates the Indonesian Climate Change Trust Fund (ICCTF) for mitigation and adaptation actions. This fund is overseen by the State Ministry of National Development Planning and the Ministry of Finance. Up to date, 8 million US\$ are available under this ICCTF; 5 million US\$ are already allocated to three projects for energy saving in the steel, and pulp and paper industries (Ministry of Industry), peat land (Ministry of Agriculture) and climate change conscious (Meteorological, Climatological and Geophysical Agency).

Secondly, at the national level, the climate governance in Indonesia consists of several actors from government and Non Governmental Organizations (NGOs), academics and industry sectors. The Technology Need Assessment (TNA) was established in 2009 as a technology transfer instrument which involved multi stakeholders from both public and private sectors, under the coordination of Ministry of Research and Technology via its' Agency for the Assessment and Application of Technology. The ICCTF was established as the funding instrument in the same year. Indonesia has focused on improving ministerial coordination to implement climate change policies at top governmental level. Coordination amongst line ministries and other stakeholders is important to facilitate climate change policy and activities, whilst coordination is required in data collection, budgeting, identifying activities and options, consensus and monitoring and reporting. Apart from line ministries, Indonesia has coordinating ministries such as the Coordinating Ministry for Public Welfare, and for Economics. Furthermore, there are coordinating organizations such as National Council on Climate Change (NCCC) and the Presidential Delivery Unit for the Development Monitoring and Oversight (PDUDMO), which were established by Presidential Degree and directly report to the President.

The NCCC was established in 2008 to act as national focal point on climate change policy, strategy and programmes formulation and to play a coordinating role among sectorial agencies. This Council is chaired by the President and has members from all Ministries related to climate change (see Table 1). Since its inception, this council acts as the national focal point for climate change and represents Indonesia at UNFCCC meetings since 2009. The NCCC has an institutional structure composed of an operating secretariat and several working groups with full time stationed staffs and office to formulate and coordinate climate change policies, and with official national ownership of the climate change agendas, although it is not an executive agency and does not have any legal status.

Table 1. The Target of National Action Plan of GHG emission reduction (Bappenas, 2012).

Sectors	Emission Reduction Plan (GtCO _{2e})		Ministry
	26%	another 15%	
Forestry and peat	0.672	0.367	Ministry of Forestry, Ministry of Environment, Ministry of Public Works, Ministry of Agriculture
Waste	0.048	0.03	Ministry of Public Works, Ministry of Environment
Agriculture	0.008	0.003	Ministry of Agriculture, Ministry of Environment
Industry	0.001	0.004	Ministry of Industry
Energy and Transportation	0.038	0.018	Ministry of Transportation, Ministry of Energy, Ministry of Public Works
Total	0.767	0.422	

At the national level, the NAP-GHG is referred to as the guideline for institutions for planning, implementation, monitoring and evaluation of the GHG emissions reduction. This guideline is an integrated action plan between sectors for national spatial and land use planning. Table 1 shows the target for the NAP-GHG for several Ministries. It also serves as the reference for the regional and provincial governments to prepare the RAP-GHG. The inventory of GHG emissions will be organized and reported by the State Ministry of Environment as a National Communication, which will be periodically made, as required by the UNCFCCC. These national data will be collected per province and the data from provinces compile from the local regions such as cities and residents. According to the guideline for NAP-GHG published by the State Ministry for National Development Planning/ National Development Planning Agency (Bappenas), the coordination task of the implementation is given to the Coordinating Minister for Economy Affairs. Bappenas coordinates reviews of the implementation of NAP-GHG conducted by line ministries/agencies and reports it to the Coordinating Minister for Economy Affairs (Bappenas, 2012). In the management of GHG inventory under NAP-GHG, the State Ministry of Environment is responsible for coordinating the administration of the GHG inventory. This agency needs to report to several ministries and agencies, depending on the issues and sectors involved.

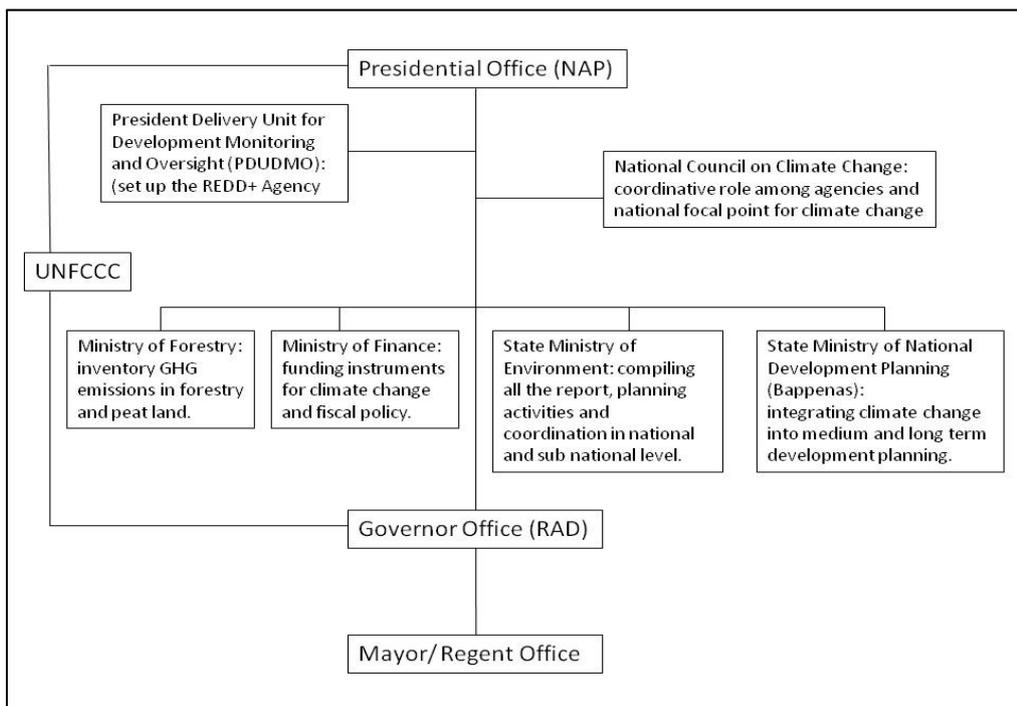


Figure 1. Role of Agency in Climate Governance

As shown in Figure 1, the agencies such as the Presidential Delivery Unit for Development Monitoring and Oversight and the NCCC are required to report their review results to the line ministries such as Bappenas, Ministry of Finance, Ministry of Forestry and State Ministry of Environment, etc. Apart from climate policy, another issue that is related to climate change is the subsidy on fossil fuels. Depleting oil reserves, lack of investment in oil exploration and an imbalance between oil consumption and production changed Indonesia's status from a net oil exporter to net oil importer in 2004. On the other hand oil fuel price in Indonesia is still subsidized up

to now. Since the oil price increasing exceed the assumption in the state budget (105 US\$ per barrel), the GoI tries to increase the remove the fuel subsidy. Later, amid the huge protest, the parliament agreed to increase the fuel price after increment the average price of crude oil exceed than 15 percent within six months period. Energy consumption gradually shifts from fossil oil to natural gas, as Indonesia has a large reserve in natural gas. The plan to remove the subsidies is in line with the government's green growth policy, and aims at conserving energy by using less polluting energy sources and to change consumer behaviour towards more efficient energy use. As compensation, the government will provide a 'Direct Cash Transfer' program to help the poor adapt to the increasing price of energy. This program was organized by the heads of the villages where the poor live (Indonesia National Council on Energy, 2012).

Thirdly, at sub-national, regional level, the RAP-GHG was facilitated by the Ministry of Internal Affairs together with the Ministry of National Development Planning and the Ministry of Environment. This RAP-GHG should be in line with the NAP-GHG. RAP-GHG was formulated by the Governors of the provinces in Indonesia, based on the guidelines provided by the Ministry of National Development Planning. RAP-GHG was based on the result from each sectorial working group (agriculture, forest and peat land, energy & transportation, industry and waste). RAP-GHG has started in January 2012 and is expected to be finished by September 2012, and will be formalized as Governor Regulation by the end of 2012.

3. WAY FORWARD

The governance of climate change in Indonesia operates at three levels: international, national and regional. Climate change, biodiversity and other global environmental challenges need to be tackled not as fragmented issues but in an integrated approach. At the international level, Indonesia plays an important role due to its vast forest areas as mitigation option via the REDD+ mechanism. The funding agencies for climate change are multilateral (e.g.: UNDP) and bilateral (e.g.: Norway). The problems in funding are accountability, allocation and transparency, since this new climate regime was established in 2007 and implemented in 2009. The government of Indonesia attempts to build an institutional framework for sustainable development by the NAP-GHG and RAP-GHG at national and subnational level refer to as the UNFCCC. Beside the guideline for Acceleration and Expansion of Indonesia Economic Development, the GoI will provide a similar guideline for other sustainable development pillars: poverty reduction/ social inclusion and the environment sustainability issues. While technology transfer via TNA and funding via ICCTF were already established as supporting instruments, the mitigation and adaptation for climate change, was conducted via RAN-GHG and RAP-GHG. Still, a huge challenge lies ahead for the infrastructure and accountability for the MRV system.

The advisory agency for Climate Change, the NCCC, expresses its concern that climate change is not yet part of the national development agenda. While the NCCC acts as an independent body, its function is not as efficient as if it is attached to the execution agency such as State Ministry of Environment or Bappenas. There is

possibility that role of NCCC could overlap with the Ministry of Environment which handles complex global environmental affairs: climate change, biodiversity, water, and air pollution. Also, the role of the Ministry of Environment could overlap with the Ministry of Forest since 77% of the national GHG emissions originated from peat fires and LUCF. Thus, it is highly urged the need for coherence among existing agencies to mainstream the good governance for climate change in Indonesia. The regional autonomy and decentralization law to the provincial and local government has made the climate change issue planned in national level but the implementation is done by the province and local government (city and regent). Mayor of the cities are often better equipped than the national government to cut GHG emissions. Indonesia's case of the bureaucracy efficiency in climate change issue could be a lesson learns to other developing and transition countries. This issue should involve systematic institutional governance by improving coordination among overseeing institutions, provide clear legal framework, develop capacity building in national and sub national levels, transparency in MRV, and made the policy based on scientific evidence instead of political interest.

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