Indonesia: Frequently Asked Questions

What are natural capital and natural capital accounts?

Natural capital refers to the elements of nature that provide values, directly and indirectly to people such as stocks of trees and wildlife in forests, water, fish in rivers and oceans, land, and minerals. Their value is not readily captured in how things are priced, so it is unclear how much they contribute to the economy and livelihoods. Their services and value are often taken for granted and we don't know what it would be lost if we were to destroy or manage them unsustainably.

Natural capital accounts are sets of objective data that show how natural resources, such as trees, water, biodiversity, land, contribute to the economy. These accounts also show how economic activities affect natural resources. Such data are not included in traditional accounting. Development of natural capital accounts follows a protocol approved by the United Nations to ensure rigor, consistency and comparison across time and across countries.

What is the System of Environmental-Economic Accounting (SEEA) ?

The concept of accounting for natural capital has been around for more than 30 years. However the move towards implementation has been slow. A major step towards achieving the vision came with the adoption by the UN Statistical Commission (UNSC) of the System of Environmental-Economic Accounting (SEEA). The SEEA provides an internationally agreed method, on a par with the current System of National Accounts (SNA). SEEA covers asset and flow accounts, both monetary and physical. It provides a standard methodology for compiling accounts for material natural resources such as minerals, water, and timber, as well as the emission of pollutants like greenhouse gases and other particulate matter. SEEA was updated in February 2012 and this is considered to be the international standard. The system can now be implemented at scale, which is a fundamental leap forward for NCA.

The challenge now is to build capacity in countries to implement SEEA and demonstrate its benefits to policymakers

Where does Indonesia stand on NCA and SEEA?

The Government of Indonesia (GOI)'s highest priorities and planning document support better management of natural resource sectors. Up to seven of nine in Nine Development Priorities, *Nawa Cita*, are highly supportive of improved natural resource management. Furthermore, the Indonesia National Medium Term Development Plan (RPJMN) for the period of 2015-2019 has identified a "green" path for overall development that integrates economic, and social development, being to "promote development without destroying or spoiling environmental capacity and balance in the ecosystem."

Wealth Accounting and the Valuation of Ecosystem Services

As a country that is rich in biodiversity and natural resources, and crucial to the achievement of the Nawa Cita and RPJMN 2015-2019, the availability of natural resource data to allow more informed public administration and policy becomes indispensable. The concept natural capital accounts can help Indonesia design a management strategy that maximizes the contribution of natural resources to economic growth.

Is natural capital accounting a new concept to Indonesia?

Natural capital accounting isn't something new to Indonesia. The Central Statistical Agency (BPS), Indonesia has been annually publishing its environmental accounting through SISNERLING (the Integrated System of Environmental and Economic Accounting), which is based on the 1997 version of SEEA.

With the stronger move toward a green economy, GOI considers this to be the right time to strengthen SISNERLING as part of a broader initiative to produce more robust sustainability indicators for growth and for better management of state-controlled and owned assets. With the renewed UN SEEA in 2012 and as more indicators are developed, there is need to expand and strengthen SISNERLING.

What is the WAVES Global Partnership?

WAVES is a World Bank-led global partnership that aims to promote sustainable development by making sure that natural resources are mainstreamed in development planning and national economic accounts. This global partnership brings together a broad coalition of UN agencies, governments, international institutes, nongovernmental organizations and academics to implement NCA where there are internationally agreed standards, and develop approaches on other ecosystem service accounts. WAVES fosters a collaborative approach among government agencies of planning and finance across the world to integrate natural resources into development planning through NCA, increasing the likelihood of informed decision making and genuine green growth

What are WAVES' objectives and scope of work in Indonesia?

The Indonesia WAVES program will support the Indonesian government to strengthen and expand the existing system of natural capital and environmental accounting and to institutionalize its use to inform development planning and policy analysis. WAVES will work to enable the government to implement NCA regularly and systematically and to use the subsequent accounts in policy analysis and development planning. Furthermore, Indonesia WAVES focuses on three major areas, which are:

- Improving and upgrading SEEA-based SISNERLING to SEEA 2012. The improved SISNERLING will then be used for (a) strengthening the Adjusted Net Saving (ANS) as indicator for measuring and monitoring growth resilience, and (b) strengthening state asset management for more effective use of natural capital
- Developing SEEA-based land accounts for land cover and land use. This part will include policy studies on land values and pricing to inform better land use conversion planning from forest to agriculture and infrastructure as outlined in the RPJMN
- Establishing a SEEA-based pilot water account for Citarum River Basin. This will include (a) examining the factors affecting the quantity of water in the basin and (b) developing a plan and guidance to replicate water account construction for prioritised watershed and sub-national entities.

GOI is committed to adopting a more sustainable development path, as clearly declared with the key themes of the 2015-2019 National Mid-Term Development Plan (RPJMN) and the current government's Nine Development Priorities, *Nawacita*. GoI first made a statement of interest to join the WAVES Partnership in 2013 and its participation was swiftly confirmed by the end of the year. Since then, a team has worked on the development of a draft concept for the Indonesia WAVES Program.

Who has a stake in the WAVES and NCA 'activities' in Indonesia?

The primary stakeholders are decision-makers and technical staff in government agencies. The program will be lead by the Ministry of National Development Planning (BAPPENAS), and will work closely with Ministry of Finance and Central Statistical Agency (BPS) as well as from other agencies including Ministry of Environment and Forestry, Geospatial Information Agency (BIG), Ministry of Agriculture, Ministry of Energy and Mineral Resources, and Ministry of Public Works. Secondary stakeholders include academics, non-governmental organizations, business entities, communities and media who are intermediaries in the process, and who can be potential supporters in the process.

How does the program deal with data management and data integration which are essential yet remain challenging in Indonesia?

WAVES Indonesia sees opportunities to collaborate with ongoing initiatives, including One Map and One/ Open Data, to deal with data management and integration. The One Map initiative, which has been promoted under the Geospatial Information Agency, aims to bring together land use, land tenure and other spatial data into a singular database for Indonesia. The SEEA-based land account and pilot water account that WAVES will help establish, if well integrated with the spatial data with One Map, would allow for the generation of maps that include physical and monetary assessments of natural assets, enabling better coordination at the inter-institutional level regarding decisions over the resource base and stronger result of the SISNERLING.

WAVES work to improve the SEEA data system will complement the work the government is doing in the One/Open Data program to improve data governance system overall.

What can Indonesia learn from other WAVES implementing countries?

From a baseline in 2010 when natural capital accounting was mostly limited to high-income countries, WAVES has demonstrated the feasibility of developing accounts in middle-income and data-poor countries and using them to effectively inform national development plans and policies. Indonesia may learn from the accounts that have already been developed and how the information they yielded contributed to reforms and strategies, including:

- **Botswana**, which has established water account as key tool for water sector reforms.
- **Colombia, which** has accounts for the Lake Tota watershed, that are being used as a management tool to help in the allocation of water to competing users

- **Guatemala**, focusing first on forest accounts, which have influenced a National Strategy for Production and Use of Fuelwood
- **Philippines'** four experimental ecosystem accounts developed Lake Laguna in Metro Manila, which provide scientific evidence-based information for the Laguna Lake Development Authority to prevent further degradation and strengthen their water resource management.