

INDONESIA COUNTRY REPORT

2017



WAVES
Country Report
Indonesia
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Wealth Accounting and Valuation of Ecosystem Services (WAVES)



WAVES

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Valuation of Ecosystem Services

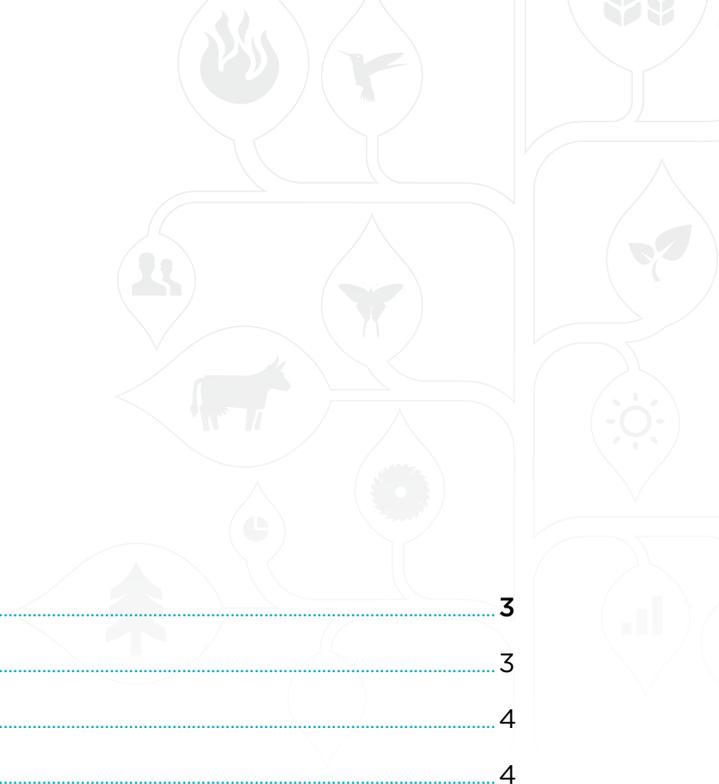
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Indonesia Country Report 2017

WAVES - Global Partnership for Wealth Accounting and the Valuation of Ecosystem Services

Wealth Accounting and the Valuation of Ecosystem Services (WAVES) is a global partnership that aims to promote sustainable development by mainstreaming natural capital in development planning and national economic accounting system, based on the System of Environmental-Economic Accounting (SEEA). The WAVES global partnership (www.wavespartnership.org) brings together a broad coalition of governments, UN agencies, nongovernment organizations, and academics for this purpose. WAVES core implementing countries include developing countries—Botswana, Colombia, Costa Rica, Guatemala, Indonesia, Madagascar, the Philippines and Rwanda—all working to establish natural capital accounts. WAVES also partners with UN agencies—UNEP, UNDP, and the UN Statistical Commission—that are helping to implement natural capital accounting. WAVES is funded by a multi-donor trust fund and is overseen by a steering committee. WAVES donors include—Denmark, the European Commission, France, Germany, Japan, The Netherland, Norway, Switzerland, and the United Kingdom.

CONTENTS



INTRODUCTION	3
Overview	3
Project development objectives.....	4
Key components	4
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INSTITUTIONALIZATION AND IMPLEMENTATION ARRANGEMENT	7
Steering committee	7
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PROGRESS AND OUTREACH	8
Progress	9
Communication and Engagement.....	11
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CHALLENGES AND LESSONS	13
Lessons.....	13



INTRODUCTION

■ Overview



The Government of Indonesia (GOI) has fully aware the challenges of its abundant natural resource in the midst of growing population and climate change. Issues of green development has been included in the country's national development plan. In Indonesia's National Medium Term Development Plan (RPJMN) for 2015-2019, government places great emphasis on three aspects: food, water and energy security. The plan is expected to drive Indonesia toward a greener and more inclusive economic growth by promoting sustainable development and resilient growth. It is expected to change the course of rapid natural resource exploitation and environmental degradation to sustainable long term benefit both for economic growth as well as environmental support services.

Natural Capital Accounting (NCA) has been implemented in Indonesia for more than 30 years. In 1990, Indonesia's Central Statistics Agency (BPS) has created System for Integrated Environmental and Economic Accounts (SISNERLING). BPS has improved the system for several times following the improvement in the System for Environmental and Economic Accounts (SEEA). In 2001, BPS adopted the 1993 SEEA Handbook into the SISNERLING. In 2014, Indonesia was selected as a pilot country to assess the System of Environmental Economic Accounting for Agriculture, Forestry and Fisheries (SEEA AFF). The project lasted for two years (2014-2015). In 2016, the SISNERLING has been gradually improved to implement the 2012 SEEA Central Framework. This work has been supported by a global initiative of Wealth Accounting and Valuation of Ecosystem Services (WAVES).

The Indonesia WAVES put its main agenda in encouraging collaboration across ministries in developing a natural resources accounts that meets the System of Environmental Economic (SEEA) standards. Started from 2013, with the engagement began in 2015, the WAVES sat with BPS, the Ministry of Finance, the National Development Planning Agency (Bappenas) and other key line ministries to ensure that Indonesia's NCA, SISNERLING, can be upgraded and improved based on the 2012 SEEA CF standards. WAVES also encourage the inter-ministerial collaboration to support the SISNERLING.

■ Project Development Objectives

Globally, WAVES aims to promote sustainable development world wide through the development of natural and ecosystem accounts and the establishment of clear links between valuation for these natural assets with national wealth and income. The program also promotes the implementation of the UN 2012 SEEA and the use of natural and ecosystem in development policy analysis and planning.

The Indonesia WAVES Program will support the Government of Indonesia to strengthen and expand existing systems of natural capital and environmental accounting and institutionalize its use to inform development planning and policy analyses. The Program Development Objective (PDO) is to enable the Government to regularly and systematically

1. implement natural capital accounting, and
2. use the developed accounts in policy analysis and development planning.

Furthermore, the WAVES Program also targets to provide tools for the development planning (i.e. spatial, sector, resource utilization) and to support implementation of the National Development Priorities as designed in the RPJMN 2015-2019 under Bappenas coordination. In order to achieve the objective, the program would build on Indonesia's NCA, SISNERLING, which currently focuses on mineral, energy and forest sectors, implemented by the BPS and its institutionalization.

■ Key components

The WAVES Program will provide support to the achievement of three key components:

- (i) Improved and upgraded SEEA-based SISNERLING to 2012 standard of natural capital accounts. The improved SISNERLING will then be used for:
 - a. Policy study to strengthen the Adjusted Net Saving (ANS) as indicator for measuring and monitoring growth resilience. ANS and its components indicate if the country has an appropriate investment policy across natural, human and physical capitals to ensure continued growth. WAVES will help strengthen ANS by improving the quality and completeness of data on natural capital.
 - b. Policy study for exploring the use of SISNERLING accounts to improve state asset management. By improving SISNERLING coverage and data quality, WAVES Program support better monitoring of utilization of Indonesia's natural assets such as mineral and energy resources at an aggregate level.
- (ii). The establishment of SEEA-based land account for land cover and land use. The land account will then be used for policy analysis to inform land use policy and management through the following studies:
 - a. Developing rationales/criteria for land use conversion from forest to agriculture and infrastructure in the light of growing population and economic development needs
 - b. Developing approach to value non-urban lands as a basis to determine financial compensation for lands uses for public interest purposes.
- (iii) SEEA-based pilot water account established for Citarum River Basin. The following studies will use the pilot water account of Citarum Basin:
 - a. Study on the factors affecting quantity and quality of water in Citarum River Basin
 - b. Developing an approach to replicate the water account constructions for prioritized watershed and sub-national (provincial) entities.

In addition, WAVES supports also covers three areas which are capacity building, policy analysis, and communications.



WAVES will bring value-added as its focus on building the capacity of the key planning, financing and sector agencies to use accounts to assess the impact of policies on natural capital. It facilitates sector ministries working with statistical agency to develop accounts.

WAVES identifies the best technical assistance to help integrate the use of SEEA/NCA in policy and decision making. This includes informs land use allocations and useful in water pricing. Moreover, through the establishment of accounts on the physical and monetary value of natural capital (e.g. forest, minerals, waters, land), WAVES will help put in place streamlined process for tracking indicators and reporting on national targets for the Sustainable Development Goals (SDGs).

INSTITUTIONALIZATION AND IMPLEMENTATION ARRANGEMENT

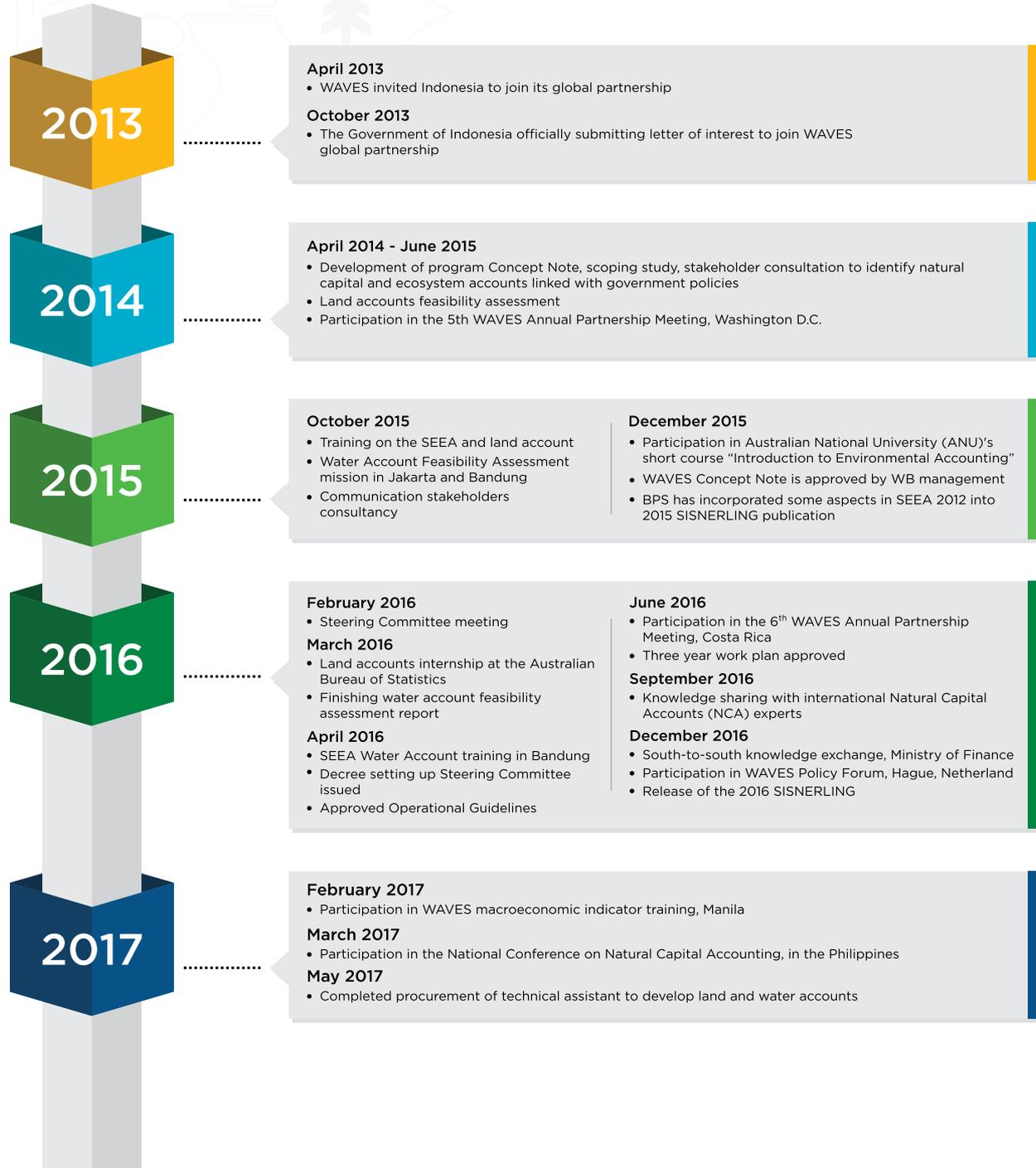
The direct beneficiaries of the Indonesia WAVES Project are the BPS, Bappenas, Ministry of Finance, and Ministry of Environment and Forestry which will receive support for the compilation of natural capital accounts and policy analyses in priority sectors. As for capacity building programs, in addition to the four key partners, WAVES Indonesia will include Geospatial Information Agency, Ministry of Agrarian Affairs and Spatial Planning, Ministry of Energy and Mineral Resources, Ministry of Public Works, Ministry of Agriculture, and Ministry of Home Affairs.

■ Steering committee

The governance structure for the Indonesia WAVES program is largely based on Indonesia's System for Integrated Environmental and Economic Accounting Development Coordinating Team (described in Bappenas' Decision of the Deputy of Maritime and Natural Resources/ Decision Number KEP.41/DEP.V/03/2016).

This steering committee is chaired by Deputy of Maritime and Natural Resources of the Ministry of National Development Planning. Currently, the steering committee decree is under discussion of revision. The revision aims to streamline the preceding structure, to target more relevant ministries/agencies, and include thematic working groups.

PROGRESS AND OUTREACH



Progress

Implementation of the workplan agreed with the WAVES Indonesia Steering Committee in April 2016 was set back by the delays in the transfer of funds to the WAVES Indonesia child trust fund. Following the transfer of the funds, the program has completed the following items below:

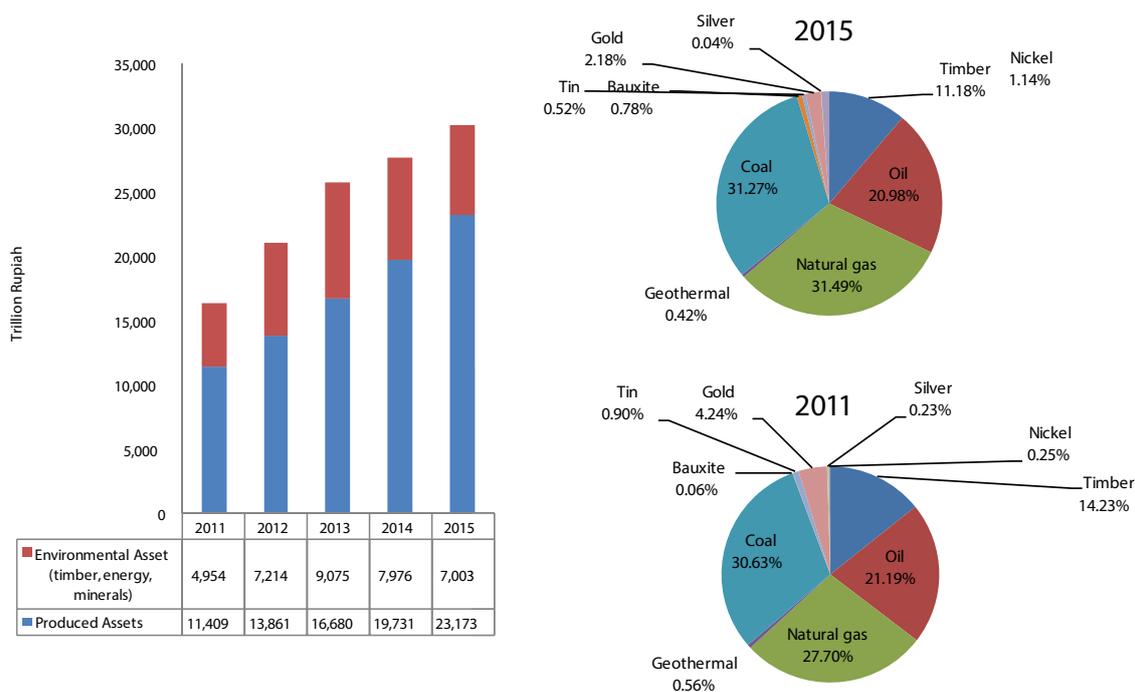
Operationalizing the technical assistance for land and water accounts

Procurement of the technical assistance services that are to be financed by WAVES was completed. SarVision, a spin-off from Wageningen University in the Netherland, has been selected as the firm which will deliver the technical assistance to BPS for developing land and water accounts. SarVision’s international and national expert will work hand-in-hand with BPS. Further, procurement on technical assistance for policy analysis is also being finalized. Several strong candidates for country coordinator were vetted and selection of a country coordinator is still pending.

Gradual update on SISNERLING

With the gradual and strategic measures, the effort to update the SISNERLING based on the SEEA starts to show the results. By far the outputs include asset accounts for timber, energy, and mineral resources (physical and monetary accounts); asset accounts for land use and land cover in Sumatera (physical accounts); in-depth study on EPEA/EGSS statistics; and depletion adjusted GDP indicators.

Below are some figures to contrast selected natural capital (environmental assets) and produced assets. In 2015 environmental assets constituted value of Rp 7,003 trillion or one-third of produced assets. Three biggest contributors of environment assets in 2015 consist of energy resources which are: natural gas resources (31.49 percent), coal resources (31.27 percent) and oil resources (20.98 percent). Meanwhile, timber resources have decreased from 14.23 percent contribution in 2011 to 11.18 percent in 2015.



As for the future plans, the list includes continuing the work mentioned above by developing land accounts for Kalimantan and Java; supporting SDGs indicators (energy accounts, water accounts, air emission account, and material flow accounts); and linking land accounts with ecosystem accounts.

Improving number of personnel working on SISNERLING

BPS' Directorate of Production Accounts has published SISNERLING annually. The organizing of the SISNERLING is conducted by a special team that is operating under Directors' Decree. In 2016, eleven staffs were involved to complete the SISNERLING; this number of involved personnel keeps on increasing over the years. In the upcoming year the plan to establish a dedicated NCA unit in BPS is expected to be fully realized.

Knowledge Exchange with International Experts

WAVES Indonesia helps to identify the best technical assistance for integrating the use of natural capital accounting and the SEEA into policy and decision-making. One way that the program is doing this is by creating opportunities for the technical specialists in Indonesia to learning from the experiences of other countries that have linked NCA with policies and planning. During 2016, WAVES Indonesia tapped into the expertise of a few countries that have effectively applied NCA in the water and land sectors. The purpose was to help inform the thinking of the WAVES Indonesia program on the policy applications and ensuring these are fully understood when developing the accounts.



WAVES
knowledge sharing
event





The first knowledge sharing conducted in September 2016, experience drawn from Australia, the Philippines, and Netherland.

The second one, in support of Ministry of Finance, WAVES conducted South-to-South Knowledge Exchange. The meeting focused on “Mineral Valuation and Uses of Natural Capital Accounts in National Reporting.” The knowledge exchange brought together about 60 participants from Indonesia (primarily from the field offices of the State Asset Management, and persons from BPS and mining and extractives agencies) and gave them an opportunity to learn from the experiences in Australia, Botswana and the Philippines.

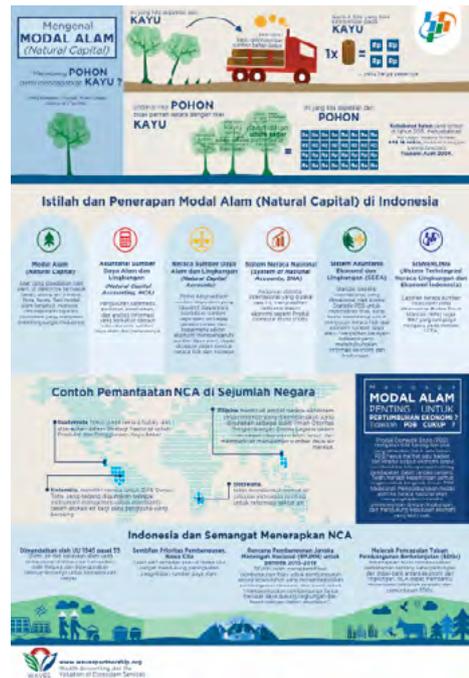
■ Communication and Engagement

There is increasing engagement from the three main ministries receiving technical support by WAVES. At least 20 persons from four directorates, Directorate of Environment (Bappenas), Directorate of Production Accounts (BPS), Directorate of Valuation (MOF) and Directorate of Receivables and Other States Assets (MOF), have been actively engaged in WAVES meetings and discussion.

■ Other achievement in the outreach, including:

- Dissemination of three E-newsletters to at least 400 WAVES database contacts.
- Papers support to Director of Environment, Bappenas: “Interlinkeage between Natural Capital Accounts and Development Policies”
- Papers support to Director of Production Accounts, BPS: “Toward Better Decisions: Linking Natural Capital Accounts to Development Policies”

- Others: productions of Country Report 2016 and 2017, one set of basic info-graphics on NCA, feasibility assessment summary and general brief
- Supporting the Ministry of Finance’s Public Hearing on Natural Resources Fiscal Potential Report in University of Brawijaya, as part of building community of practice around the NCA.



CHALLENGES AND LESSONS

Fostering the partnership

The work in implementing NCA and SEEA-CF has been supported by numbers of international initiatives, namely the United Nations Statistics Division (UNSD), Food and Agriculture Organization (FAO), the World Bank, UN-ESCAP, and Australian Bureau of Statistics (ABS). The similar collaboration needs to be maintained in the efforts to establish the link between the NCA to the development policies.

Technical issues in map accuracy and data quality

The NCA compilation is also facing some technical issues, including limitation of map accuracy and problem with data quality. In order to address the issue in the future, an initiative to integrate access to existing information is needed. The WAVES team will also have to leverage other ongoing initiatives that the World Bank is supporting (e.g., One Map Policy) to identify ways to obtain higher quality data.

Gradual interlinkage to development policy

As Bappenas has substantial role on tracking the SDG, delivering the next RPJMN, NDC and long-term development vision, the importance in building interlinkage between NCA and development decision becomes clear. There has been gradual effort and discussion to link the work of WAVES to policies such as NDCs, SDGs, natural resources fiscal report, and modelling work that is part of the long term vision for Indonesia.

Lessons

Effective development of NCA will require efficient and reliable data transfer mechanism between data producers and BPS. Strengthening data coordination mechanism will require an effective steering committee which compose of decision makers from key line ministries. The committee should catalyze the needed coordination among ministries and appoint relevant departments into technical and thematic working groups, that would focus on specific aspect of account development.



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Credits

Authors

This report is prepared by Nissa Cita Adinia, Etjih Tasriah (Badan Pusat Statistik)

Edited by Diji Chandrasekharan

Design Dyana Widyastuti (Mediacor)

Photo Credit Ardian Wibisono (cover), Olsa Riharsya, Badu Pius Agung

Wealth Accounting and the Valuation of Ecosystem Services

Wealth Accounting and the Valuation of Ecosystem Services (WAVES) is a global partnership led by the World Bank that aims to promote sustainable development by ensuring that natural resources are mainstreamed in development planning and national economic accounts.

www.wavespartnership.org