BUILDING PATHWAYS TO GREENER GROWTH

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DEVELOPMENT POLICY

- President's "Manifesto 2012": *Sustainable Growth with Equity;*

- *"Pro Growth, Pro Poor, Pro Job, Pro Green"*

- Specific target of *"7% growth with 26-to-41% reduction of CO2 emission by 2020";*

- Policy Means: *Macro Stability through MP3EI and Social Safety Net MP3KI;*

- Taking into account **General Election 2014**" apply "a don't rock the boat policy implications";

THE GOALS

Economic Growth: 6-7% rate of GDP Growth with below 3% budget deficit, low inflation rate;

Social Development: MDG goals, social safety net, increase education and health facilities;

Environmental Development: Reducing CO_2 emissions by 26-41% from current "Business as Usual rate" by 2020, implementing Nagoya & Kyoto Protocols, Moratorium on Forests & Peat land unsustainable exploitation;

THE ISSUES

- To reach for development **policies** to enable coherent interdependency ***within and between the tripple track of sustainable growth by Central and Regional Governments;***

- To determine a common goal comprising of "***Economic GDP + Human Well Being + Continued Function of Nature's Bio capacity to Sustain Life;***

- Implemented by ***Good Central & Regional Governance with democracy without corruption;***

THE FACTS I: INEQUALITY

- Population increases from 243 person now to 313 person 2050, with 80% in Jawa-Sumatra-Bali = political epicentrum with "1 man-1vote";

- JSB produces 80% GDP, attracts dev.facilities and infrastructure, more people move to JSB;

- Terms of trade urban better than rural induces rapid urbanization.

- Gini coefficien between high-middle-low income group growing in disfavour of the poor

THE FACTS II: REGIONAL DISPARITY

- Regional growth is along the U-Curve of Malacca Strait, Karimata Strait, Java Sea, Celebes Strait;

- Outside the U-Curve = low growth like western part of Sumatra, South-Jawa, Central Kalimantan and East Indonesia with low connectivity;

- Growing regional disparity due to increase connectivity and infrastructure in JSB, including banking, education, health facilities;

THE FACTS III: MIDDLE INCOME TRAP

- Indonesian growth is raw material export oriented based with low value added and low science-technology input because it is profitable

- It faces competition from the rising labor-intensive growth countries (China-India);

- It faces competition from high-technology Asian countries (South Korea, Singapore);

- RI is stucked in "comfort zone" of current growth, which could become RI's Middle Income trap;

THE FACTS IV: ENVIRONMENTAL DESTRUCTION

- Resource based dev. Is quick-yielding without value added of exploited natural resources;

- Orientation of Central & Provincial Governments is 5-10 years with no long term view;

- Consumption pattern dominated by High/Middle Income group = resource depletion with low value added;

- Market system faces market-failures against sustainability of resource use, while resource enrichment with value added requires skills;

THE FACTS V: CLIMATE CHANGE

- Location of RI archipelego along the equator provide rich biodiversity but also prone to sea level rise due to global warming & climate change;

- "Point sources of pollution" and "victims of climate change" are numerous not revealed through the market and no effective actions;

- Capacity building in technology to control climate change is lacking because it is not profitable;

THE FACTS VI: GOVERNANCE

- Democracy is executed by 9 political parties with limited funding, except from "juggling with the budget" with corruptive implications;

- Economic Development works with "stages of growth model". Political Democracy Development has no "stages of growth", the nation has to muddle through the "democracy-mud";

- Good governance with bureaucratic reform is necessary but politically difficult.

BUILDING PATHWAY I: GROWTH INDICATORS

There is the need to transform "GDP Growth Indicator" into a "cluster of growth targets":

- Economic growth shifting resource exploitation to resource enrichment through value added;

- Within the constraints of "declining gini co-efficient" raising equity among income groups

- Reducing "economic growth ecological footprint on bio-capacity" per islands;

- Supported by increase transparency (ex.EITI) and reform of bureaucracy measured quantitatively;

BUILDING PATHWAY II:
SOCIAL ACCOUNTING MATRIX

- Recognizing "market failures" the need is to treat "economic activities" as subset of the "social realm", which in turn is a subset of the biosphere;

- Important is to identify regions with "ecologi-cal footprint exceeding bio-capacities" (Public Work Ministry Mapping) in spatial planning;

- Tripple Connectivity (Ec-Soc-Env) requires a balanced "Social Accounting Matrix" flow;

BUILDING PATHWAY III: SUSTAINABLE DEV. FISCAL POLICY

- National Action Plan of Reducing GHG Emission is categorized in sectors, financed through budget & non-budget. "Budget Earmarkings" can be used to coordinate inter-sectoral activities by budget authorities;

- Dana Alokasi Khusus & Dana Alokasi Umum is used to link triple Ec-Soc-Env Sust.Dev.goals

- Excise Tax is carged on polluting activities and budget allocations on internalizing social and environmental external costs;

BUILDING PATHWAYS IV: TRIANGLE OF SUSTAINABLE DEV.ACTORS

- Sust. Dev. Actors are: Government (mainly Bappe-nas & Finance Ministry); Business (KADIN-KEN); Civil Society (sectoral & regional stakeholders). Delibe-rations among the three actors to reach concensus;

- Market intervention to "get the prices right" must be implementable at the districts-level on the basis of triple actor's concensus on the "what of devel.";

- Fiscal & Budget policy means are vehicles to steer market forces into sustainable dev., supported by CSR of business and participation of civil society.

BUILDING PATWAYS V; BUILDING BLOCKS OF SUST.DEVELOP.

- Set a long term 2015-2045 sust.dev. Goal divided into identifiable triple (E-S-E) 5 year goals;

- Identify clear "Quantitative Environmental Indica-tors" (water, air, land) to be reached as targets (like the MDG) translated into quantitative env. targets;

- Set point sources of pollution to be controlled, such as "Reduction of CO_2 Emission" of energy, factories, transportation, identifianble sectors;

- Identify "sustainable dev.agents", its "enemies and "friends" to make use of "rewards & penalties".