



Government of the  
Republic of Indonesia

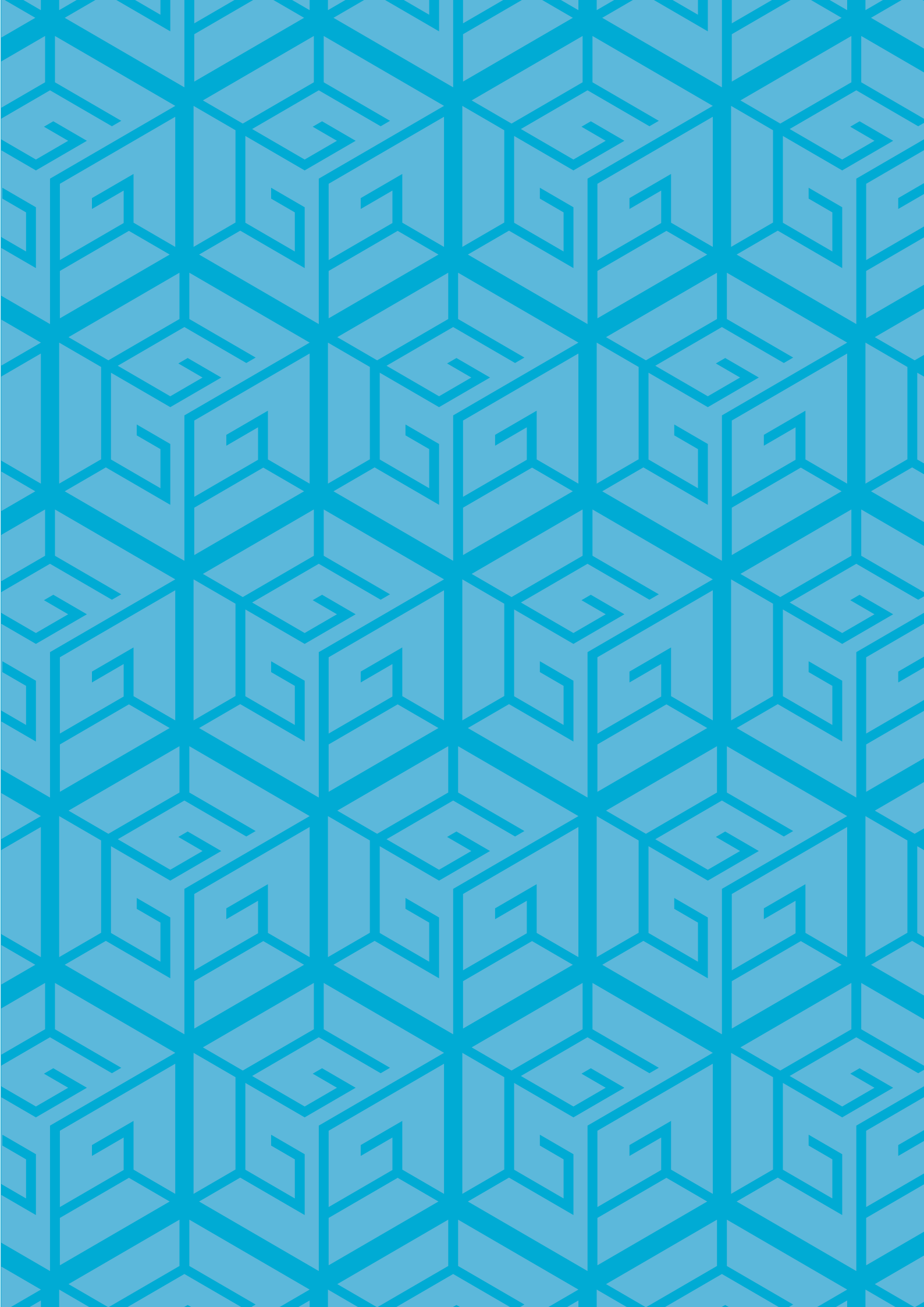


Global  
Green Growth  
Institute

GGGI

# Indonesia Country Planning Framework 2016-2020





# Table of Contents

<b>Foreword</b>	<b>6</b>
<b>Abbreviations and Acronyms</b>	<b>9</b>
<b>Executive Summary</b>	<b>11</b>
<b>1. Introduction to the Country Planning Framework</b>	<b>15</b>
<b>2. Country Overview</b>	<b>17</b>
2.1 Economic Trends	17
2.2 Social Trends	18
2.3 Environmental Trends	19
2.4 Indonesia at a Glance	20
<b>3. Indonesia's National Priorities</b>	<b>22</b>
3.1 National Development Priorities	22
3.2 International Agreements	23
<b>4. GGGI's Engagement in Indonesia</b>	<b>25</b>
4.1 Achievements to Date	25
4.2 GGGI's Value Addition	26
<b>5. GGGI's Impact Pathway</b>	<b>30</b>
5.1 Challenges and Opportunities	30
5.2 GGGI's Strategic Response	31
<b>Annex A: Stakeholder Engagement, Counterpart Identification and Analysis</b>	<b>38</b>
<b>Annex B: Results Framework</b>	<b>39</b>
<b>Annex C: Risk Assessment</b>	<b>40</b>



## Foreword

Both the Government of Indonesia (GoI) and the Global Green Growth Institute (GGGI) recognize the importance of growth that is sustainable and equitable. Green growth boosts job creation and reduces poverty. It is concerned not only with the rate of economic growth, but also with its quality, that is, the ability of growth to deliver multiple economic, social and environmental benefits that improve the quality of people's lives across all segments of society.

Economic growth can only be sustained with a steady and reliable flow of investments in infrastructure, energy and food production, technological innovation, and most of all, in Indonesia's key resource: its people. The government plays an important role in ensuring that investments in the Indonesian economy and infrastructure contribute to achieving national development priorities.

The future economic challenge for Indonesia is to deliver rapid, inclusive, and people-centered economic growth in support of the ambitious social and economic goals expressed in the nine-point priority agenda of Indonesia's current national medium-term development plan—Rencana Pembangunan Jangka Menengah Nasional 2015-2019. The plan calls for a clean, transparent and democratic government, a stronger rural economy, land tenure reforms, and greater productivity and competitiveness of the Indonesian people.

Indonesia's Investment Coordinating Board (BKPM) has targeted a total of USD 100 billion in green investments in the agriculture, forestry, fisheries, renewable energy and geothermal power, clean manufacturing, and tourism sectors to meet Indonesia's sustainability ambitions. These ambitions are relevant to the Sustainable Development Goals (SDGs) and climate change actions as captured in the first Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC).<sup>1</sup>

Achieving these ambitious goals will require a mix of public and private investments in projects, to deliver on-the-ground results with social, environmental and economic benefits for the Indonesian people. Investments in institutions capable of good governance and decision-making is needed to ensure that the quality of these projects results in positive outcomes for Indonesians.

Abundant foreign and domestic capital is available, but private investors are waiting to invest in bankable green projects. The right combination of capable institutions, committed leaders, and policies and plans that enable sound investments in good projects can bring about the transformational change that Indonesia needs for a cleaner, more prosperous future.

GGGI started operations in Indonesia in 2013. The first phase of the GoI-GGGI Green Growth Program in Indonesia has focused on mainstreaming green growth into planning and investment processes, and the development of tools that internalize social and environmental costs and benefits into decision-making.

Both the GoI and GGGI recognize that there are still many challenges to overcome in order to realize Indonesia's green growth ambitions, and that it is vital to show investment projects on the ground in order to demonstrate that green growth is indeed possible. With this in mind, and in consultation with various government partners and other stakeholders in 2014-2015, the country program scope has widened for the 2016-2020 timeframe.

<sup>1</sup> GoI, "First Nationally Determined Contribution: Republic of Indonesia," November 2016, [http://www4.unfccc.int/ndcregistry/PublishedDocuments/Indonesia%20First/First%20NDC%20Indonesia\\_submitted%20to%20UNFCCC%20Set\\_November%20%202016.pdf](http://www4.unfccc.int/ndcregistry/PublishedDocuments/Indonesia%20First/First%20NDC%20Indonesia_submitted%20to%20UNFCCC%20Set_November%20%202016.pdf).

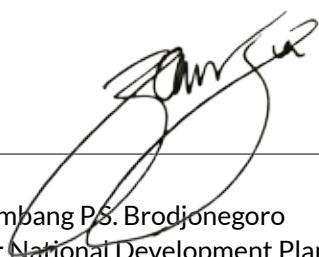
It is against this background that GGGI presents this Country Planning Framework (CPF) as the foundation from which support can be provided to Indonesia to overcome the potential challenges. At the center of the CPF is the view that the Gol can best build on its considerable successes in economic growth by ensuring that future development is increasingly equitable, inclusive and sustainable. This will consequently reduce its vulnerability to climate change.

Therefore, GGGI and the Gol have agreed on this five-year CPF for 2016-2020 to direct support where it is most needed. The CPF is aligned with Indonesia's strategic action plans for climate change and the Green Planning and Budgeting Strategy for Indonesia's Sustainable Development, and is designed to provide strategic support to the Gol in achieving its green growth ambitions. The CPF will guide GGGI's activities in Indonesia, in order to maximize the value and impact to the core economic objectives of the country.

We are grateful to the variety of line ministries, development partners and stakeholders for their support of, and engagement with, GGGI in the development of this CPF.

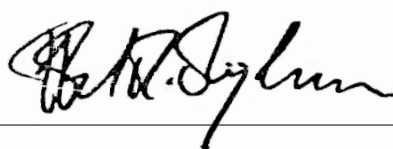
We reaffirm our joint commitment to enhancing the effectiveness of GGGI as a key partner in Indonesia's green growth ambitions.

Signed by two parties,



---

Prof. Dr. Bambang P.S. Brodjonegoro  
Minister for National Development Planning /  
Head of National Development Planning Agency  
(BAPPENAS)  
Ministry of National Development Planning  
of the Republic of Indonesia



---

Frank Rijsberman  
Director General  
Global Green Growth Institute

---

5<sup>th</sup> May, 2017

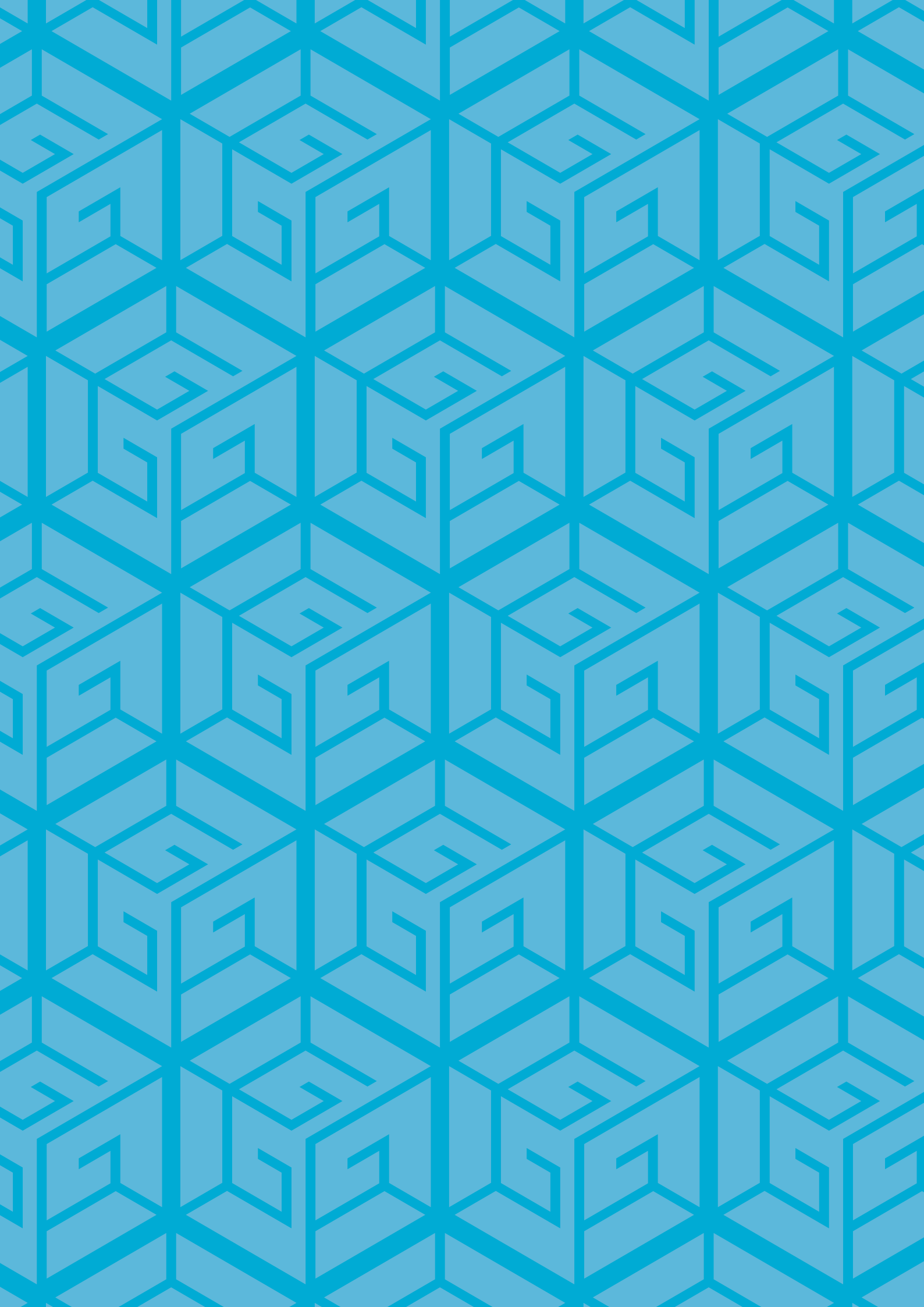
Date

---

5<sup>th</sup> May, 2017

Date





# Abbreviations and Acronyms

<b>ADB</b>	Asian Development Bank	<b>NORAD</b>	Norwegian Agency for Development Cooperation
<b>BAPPENAS</b>	Badan Perencanaan Pembangunan Nasional (Ministry for National Development Planning)	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>CK</b>	Central Kalimantan	<b>RAN-GRK</b>	Presidential Regulation no. 61/2011 on the National Action Plan for Greenhouse Gas Emissions Reduction
<b>CPF</b>	Country Planning Framework	<b>REDD+</b>	Reducing Emissions from Deforestation and Forest Degradation
<b>DANIDA</b>	Danish International Development Agency	<b>RPJMN</b>	Rencana Pembangunan Jangka Menengah Nasional (Indonesia's National Development Plan)
<b>eCBA</b>	Extended Cost Benefit Analysis	<b>SDG</b>	Sustainable Development Goal
<b>EK</b>	East Kalimantan	<b>UNDP</b>	United Nations Development Programme
<b>GDP</b>	Gross Domestic Product	<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>GGGI</b>	Global Green Growth Institute	<b>USAID</b>	United States Agency for International Development
<b>GHG</b>	Greenhouse Gas		
<b>GoI</b>	Government of Indonesia		
<b>GPB</b>	Green Planning and Budgeting Strategy for Indonesia's Sustainable Development		
<b>LAN</b>	Lembaga Administrasi Negara (National Institute of Public Administration)		
<b>NDC</b>	Nationally Determined Contribution		







# Executive Summary

Indonesia has enjoyed strong and consistent economic growth, at a rate of about 5.3% over the past 15 years. This growth has been fueled by abundant natural resources, a young and growing population, rising living standards, and expanding domestic consumption. While growth rates have been lower than China and India, it is higher than those of many other large developing countries. Economic expansion has brought prosperity and improved living conditions to local populations through jobs, infrastructure investments, and increased availability of essential services such as transport, communication, health and education. The poverty rate has fallen from 18% in 2006 to 11% in 2014.

Yet, the current growth path is resulting in various social and environmental challenges. The expansion of natural-resource-based industries, especially mining, energy, agriculture and forestry, is characterized by increasing income inequality and the continuing conversion of forests. This latter issue is one of the country's main environmental concerns, and is a leading cause of Indonesia's deforestation, affecting watersheds, ecosystems, local economies and greenhouse gas (GHG) emissions.

## GGGI's Engagement in Indonesia

Indonesia is a founding member of the Global Green Growth Institute (GGGI). Since 2013, the Government of Indonesia (GoI), under the leadership of the Ministry for National Development Planning (BAPPENAS) has been working with GGGI to develop strategies and approaches for green growth. This has been possible through financial support from the Government of Norway in Phase I (2013-2015) and in the ongoing Phase II (2016-2019). This has been possible through financial support from the Government of Norway in Phase I (2013-2015) and in Phase II (2016-2019), which remains ongoing. The *National Green Growth Roadmap* has become a reference for green growth planning, investment and performance monitoring.

## Indonesia's National Priorities

The nine-point priority agenda of Indonesia's current national medium-term development plan—*Rencana Pembangunan Jangka Menengah Nasional (RPJMN) 2015-2019*—aims for Indonesia to become a high-income country. Its targets include an annual economic growth rate of 6-8%, and a decline in the poverty rate to 7-8% by 2019. Moreover, Indonesia is committed to ensuring the sustainability of natural resources, the environment and human capital. The Nationally Determined Contribution to the United Nations Framework Convention on Climate Change confirms Indonesia's commitment to reduce its GHG emissions by 26% against the business as usual scenario by 2020. Indonesia has also committed to the Sustainable Development Goal (SDG) targets.

## GGGI's Impact Pathway

The main challenge in meeting the government targets is insufficient domestic and international investment, for example in clean energy, green infrastructure and forest and land-based mitigation. This is partly due to insufficient national budget allocations and insufficient private sector investments by both domestic and international players. The national political and regulatory environment is hindering an acceleration of green and inclusive private sector investment. The private sector plays a key role in developing more high quality, green and inclusive bankable projects to fill a healthy pipeline and attract more financing. In addition, capacity limitations in the public, private and financial sector are an overall barrier to the uptake and mainstreaming of green growth principles, concepts and methodologies.

In light of these national objectives and challenges, GGGI will work with the Gol toward the following two outcomes:

- Outcome 1: Capable institutions scale up green growth;
- Outcome 2: Increased inclusive green investment in priority sectors leads to reduced emissions and healthier, more productive ecosystems.

### Outcome 1: Capable Institutions scale up green growth.

Over the five-year period, GGGI and the Gol will jointly endeavor to:

- Train at least 30,000 civil servants on green growth through the Gol's civil service training institute;
- Demonstrate that at least 70% of the participants exposed to green growth tools, knowledge products and South-South initiatives have experienced improvement in green growth related learning.

To build a foundation for green growth in Indonesia, national and sub-national decision-makers with the understanding and capacity to apply green growth tools and approaches are essential. GGGI will collaborate with the Gol's civil service training institute—the National Institute of Public Administration or Lembaga Administrasi Negara (LAN)—to integrate green and inclusive growth in its basic and advanced trainings, as well as in its high-level reform trainings, through which it will reach national and sub-national government officials. Tools such as green budgeting and strategic environmental assessments will be included in the trainings. This is a key first step toward achieving targets set out in the RPJMN 2015-2019 and the SDGs, particularly SDG17, which aims to enhance support for implementing effective and targeted capacity building.

### Outcome 2: Increased inclusive green investment in priority sectors leads to reduced emissions and healthier, more productive ecosystems.

Over the five-year period, GGGI and the Gol will jointly endeavor to:

- Mobilize at least USD 110 million of investment, leveraged through demonstrations of commercially viable business models in rural and industrial areas, benefiting at least 1 million people;

- Develop 60-100 MW<sup>1</sup> of clean energy and improved sustainable infrastructure in selected special economic zones, contributing up to 1 million tons of CO<sub>2</sub> emission reduction a year;
- Reduce or avoid 400 million tons of CO<sub>2</sub> emission in forested landscapes (non-peat) and 200 million tons of CO<sub>2</sub> emission on peat landscapes across 1 million hectares.

To overcome investment barriers in priority green growth sectors, such as energy, special economic zones, forest and land use, a systematic effort is needed to mainstream green growth into government strategies and plans. Enabling inclusive green projects requires a methodical approach by policy-makers and planners at both national and sub-national levels, to create the necessary conditions and incentives to encourage investment in green projects.

GGGI will support the government in building investor confidence, attracting required capital, making sustainable green business models profitable in the existing sectors, and opening up new and untapped opportunities. GGGI will also support stakeholders in Indonesia in designing projects for bankability.

Through the collaborative Green Growth Program, GGGI will support the Gol in the acceleration of investments in inclusive mitigation projects, which will contribute to Indonesia's emission reduction target of 26% by 2020. This acceleration of green and inclusive investments versus brown or other traditional investments, will support Indonesia in sustaining its natural capital and the stocks of natural resources. Natural capital and resources supply a continuous flow of benefits in the form of ecosystem services, and at the same time promote economic growth.

Capable institutions, increased green and inclusive investments, reduced emissions, and healthier and more productive ecosystems will put Indonesia on a trajectory to green growth that is socially inclusive, environmentally sustainable and resource efficient, and will support Indonesia in the achievement of climate and development targets.

<sup>1</sup> This is assuming that policy enablers are already in place to be able to replicate and scale up successful clean energy projects.





# 1. Introduction to the Country Planning Framework

“The Government of Indonesia understands the opportunities that a green economy—and its potential for sustainable economic growth, job creation and poverty reduction—can bring to Indonesia. What is required to advance green growth in Indonesia is a systematic approach with concrete steps that take us from where we are today to our vision for a green economy.”

**Dr. Lukita Tuwo, Secretary of the Coordinating Ministry for Economic Affairs, Indonesia**

The Country Planning Framework (CPF) of the Global Green Growth Institute (GGGI) is a high-level document guiding GGGI's joint program with the Government of Indonesia (GoI). The CPF will guide all in-country programming and the design of new projects during the five-year implementation period of the GoI-GGGI Green Growth Program, from 2016 until the end of 2020. The CPF is aligned with GGGI's overarching goals and strategies for achieving pro-poor, inclusive green growth.

The CPF has been developed in close consultation and collaboration with the GoI and other stakeholders in accordance with the following key principles:

- **Ownership** – The GoI-GGGI Green Growth Program, which the CPF describes and guides, is owned by the GoI and implemented jointly with GGGI;
- **Mutual Accountability** – The objectives and strategy embodied in the CPF demonstrate a shared commitment by GGGI and the GoI to jointly implement the program;
- **Alignment** – The CPF and its program elements are aligned to national objectives, including the current medium-term national development plan—*Rencana Pembangunan Jangka Menengah Nasional (RPJMN) 2015-2019*—and conform to the *GGGI Strategic Plan for 2015-2020*;<sup>2</sup>

- **Leadership** – The program is led by the Ministry for National Development Planning (BAPPENAS), which chairs a joint Steering Committee representing participating government agencies, the private sector and civil society groups that provide overall strategic guidance to the GoI-GGGI Green Growth Program.

For the development of the CPF, an extensive participatory process took place to analyze the opportunities and challenges for green and inclusive economic growth in Indonesia. The GoI, private sector and civil society groups were engaged in this process. It included key stakeholders from BAPPENAS, the Ministry of Environment and Forestry,<sup>3</sup> the Ministry of Energy and Mineral Resources, the Ministry of Finance, the Coordinating Ministry for Economic Affairs, the National Institute of Public Administration, and the provincial governments of Central Kalimantan and East Kalimantan (where GGGI is active on the ground). Stakeholders from the United Nations Development Programme (UNDP), World Bank, Asian Development Bank (ADB), and bilateral donor agencies such as the Danish International Development Agency (DANIDA) and the Norwegian Agency for Development Cooperation (NORAD) were involved. So were numerous representatives of local governments, academic institutions, civil society groups, and private sector enterprises and associations. Workshops and focus group discussions were held both at the national level and in the two provinces where the program is active.

The CPF presents the country program's strategy to deliver measurable results against the GGGI Results Framework, and align with Indonesian priorities as expressed in the RPJMN 2015-2019. The CPF is also aligned with Indonesia's commitments to achieve the Sustainable Development Goals (SDGs) and their Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC).<sup>4</sup>

<sup>2</sup> GGGI, *GGGI Strategic Plan 2015-2020: Accelerating the Transition to a New Model of Growth* (Seoul, 2015).

<sup>3</sup> At the time of development this was two ministries—the Ministry of Environment and the Ministry of Forestry, which have since merged to become one ministry.

<sup>4</sup> GoI, “First Nationally Determined Contribution: Republic of Indonesia,” November 2016, [http://www4.unfccc.int/ndcregistry/PublishedDocuments/Indonesia%20First/First%20NDC%20Indonesia\\_submitted%20to%20UNFCCC%20Set\\_November%20202016.pdf](http://www4.unfccc.int/ndcregistry/PublishedDocuments/Indonesia%20First/First%20NDC%20Indonesia_submitted%20to%20UNFCCC%20Set_November%20202016.pdf)



GGGI's ability to implement this cooperation and achieve the long-term outcomes of the CPF is contingent upon: (1) GGGI's receipt of sufficient earmarked financing to cover the costs of its CPF activities; and (2) the anticipated cooperation and support of the GoI and other relevant stakeholders being made available in an effective and timely fashion.

### Box 1. About GGGI

GGGI was founded to support and promote a model of economic growth known as "green growth", which targets key aspects of economic performance such as poverty reduction, job creation, social inclusion and environmental sustainability.

GGGI envisions a resilient world achieved through strong, inclusive and sustainable green growth, and is dedicated to supporting the transition of GGGI partner countries toward a green growth model. In pursuit of these goals, GGGI works with developing and emerging countries to design and deliver programs and services that demonstrate new pathways to pro-poor economic growth.

GGGI supports stakeholders through two complementary and integrated work streams—Green Growth Planning & Implementation, and Investment & Policy Solutions—that deliver comprehensive products and services designed to assist in developing, financing and mainstreaming green growth in national economic development plans.

GGGI's interventions emphasize change in four priority areas considered to be essential to transforming countries' economies including energy, water, land use and green cities.

Headquartered in Seoul, Republic of Korea, GGGI also has representation in a number of partner countries.



## 2. Country Overview

### 2.1 Economic Trends

**Indonesia has enjoyed strong and consistent economic growth over the past 15 years.** The country's gross domestic product (GDP) has risen about 5-6% per annum, fueled by access to abundant natural resources, population growth, rising living standards and expanding domestic markets. For the period 2014-2017, GDP growth seems to have stabilized at around 5%, decreasing from around 6% prior to 2012. Indonesia aims to become a high-income country in the 2030s. This will require continued rapid economic growth. President Joko Widodo's nine-point priority agenda (see section 3) makes clear that growth needs to provide a high standard of living to all citizens, in all parts of the country.

**Indonesia's economic development has been partly built on the unsustainable expansion of natural-resource-based industries,** especially mining, energy, agriculture and forestry, as well as the availability of low-cost labor. Economic growth has been narrowly based, relying heavily on coal mining, palm oil, extractive industries and luxury property.

Fossil fuels have played an important role. The country, which now must import oil, was a large net exporter of oil in previous decades, and today is a significant exporter of both natural gas and coal for electricity generation. The production volume of coal increased more than fourfold over the decade 2002 to 2012. Revenues from fossil fuel exports have helped finance state budgets, including investments in human capital and infrastructure. On the other hand, energy-related subsidies have resulted in inefficiencies and large budgetary costs. Recent cuts in fossil fuel subsidies have partially ameliorated these problems. The heavy reliance on fossil fuels has meant that Indonesia's economy and government finance has been vulnerable to changes in international energy prices.

Growth has also come from structural changes within the economy. The structure of Indonesia's economy is changing, with a gradual shift from primary to secondary and tertiary industries. There have been impressive increases in investment, and while accurate data is sparse, there is evidence that this has been partly driven by private investment. The amount of investment in infrastructure with private participation has grown from around USD 1.5 billion per year at the turn of the century to around USD 4.4 billion per year in 2013.<sup>5</sup> Overall, foreign direct investment has risen from negligible/negative amounts to around 2.5% of GDP over the same period.<sup>6</sup>

**Table 1. Indonesia's structural change within the economy**

	2000 (% of GDP)	2013 (% of GDP)
Agriculture	16%	12%
Mining	12%	7%
Service Sector	39%	48%

<sup>5</sup> Three year rolling average based on data from the World Development Indicators.

<sup>6</sup> All investment data are taken from the World Development Indicators dataset.



## 2.2 Social Trends

**Economic expansion has brought prosperity and improved living conditions to local populations, through jobs, infrastructure investments, and increased availability of essential services** like transport, communication, health and education. The poverty rate has fallen from 18% in 2006 to 11% in 2014. Health outcomes have improved dramatically, largely as a result of a sustained increase in health expenditure. Likewise, educational attainments have consistently improved over time.

**Yet, Indonesia's current growth path is resulting in various social challenges, including increasing income inequality, unemployment and the large-scale informal economy.** The Gini coefficient of inequality in Indonesia rose from 0.33 in 2002 to 0.42 in 2012, while globally inequality has stayed constant or fallen in recent decades.<sup>7</sup>

**Table 2. Sex-disaggregated economic data**

	Total	Male	Female
Unemployment rate (for aged 15-24)		19.2%	19.4%
Unemployment rate (2014)	5.9%	5.7%	6.2%
Employment to population ratio (2014)	62.6%	78.0%	47.0%
Work in the informal economy		50.9%	57.9%

Sources: International Labour Organization, "Indonesia: Labour and social trends update," August 2014; and International Labour Organization, "The ILO in Indonesia," 2015.

<sup>7</sup> The Gini coefficient is a measure of the inequality of a distribution, a value of 0 expressing total equality and a value of 1 maximal inequality. Data taken from Branko L. Milanovic, "All the Ginis dataset," October 2014.



## 2.3 Environmental Trends

**The conversion and degradation of peat and forests for palm oil plantations and mining is a major concern, and has been among the leading causes of Indonesia's deforestation in recent years.**<sup>8</sup> Deforestation affects watersheds and the ecosystem services these watersheds provide to support local economies, increase greenhouse gas (GHG) emissions, and cause extensive losses of biodiversity. Damage to local forests can also imperil local livelihoods and negate the potential for tourism. Where land clearing was or is (usually illegally) done by burning, it imposes significant damages to Indonesia and its neighbors in the form of air pollution, resulting in health problems and lost productivity.

**Rapid urbanization and internal migration has strained urban infrastructure and the capacity of cities to provide social services for growing populations.** Among the most disadvantaged groups are indigenous people, millions of whom depend directly on forests, fisheries and other natural resources for their livelihoods. They not only suffer from the effects of deforestation and overfishing, but also from the competing demands of commercial interests for land and resources.

Compared to other G20 countries, energy and carbon intensity remains relatively low, and energy intensity has declined over the past 15 years. The Climate Change Performance Index 2016 ranks Indonesia's energy intensity of the economy as "good with a positive trend". Based on Indonesia's First Biennial Update Report submitted to UNFCCC in January 2016, national emissions were 1.4 GtCO<sub>2</sub>e in 2012 (+0.4 GtCO<sub>2</sub>e from 2000), with land-use change and forestry, including peat fires (47.8%) and energy (34.9%) as the main contributing sectors.

<sup>8</sup> Food and Agriculture Organization of the United Nations, "FAOSTAT," <http://www.fao.org/faostat/en/#home>.

## 2.4 Indonesia at a Glance

Table 3 provides a numerical overview of Indonesia's key indicators based mainly on the World Development Indicators and other sources.

**Table 3. Indonesia at a glance**

Indicator	Value
Total population, 2015	257,564,000
Population growth rate, 2014 (trend)	1.3% (declining)
Rural population (% of total population), 2015 (trend)	46% (declining)
Total area (sq. km)	1,811,570
Forest cover (% of land area), 2015	50%
Agricultural area (% of land area), 2013	31.5%
GNI, Atlas method (current USD), 2014	923,738,493,068
GNI per capita, Atlas method (current USD), 2014	3,630
Poverty headcount ratio at national poverty lines (% of population), 2014	11.3%
Employment in agriculture, female (% of female employment), 2013	33%
Employment in agriculture, male (% of female employment), 2013	36%
Human Development Index, 2015	0.684
Human Development Index, rank, 2015	110th
Life expectancy at birth, 2015	68.9
Inequality (Inequality-adjusted HDI), 2014	0.559
HDI Gender Development Index, 2014	0.927
Environmental Performance Index, 2016	65.85
Environmental Performance Index, rank, 2016	107th
Environmental Performance Index, ten-year trend, 2016	10.45%
GHG emissions, total (Mt CO <sub>2</sub> , estimated), 2014	497
GHG emissions, share from land use, land-use change and forestry, 2011	61.6%
GHG emissions from peat fires (Mt CO <sub>2</sub> , estimated), 2015	1,620
GHG emissions, world rank (estimated), 2015	4th
Renewable energy consumption (% of total final energy consumption), 2012	37%
Share of population with access to improved water sources, 2015	87%
ND-GAIN Vulnerability Index, 2014 (trend)	50.4 (increasing)
ND-GAIN rank, 2014	95th

Sources: Global Forest Watch, "Climate," <http://climate.globalforestwatch.org/>; Notre Dame Global Adaptation Initiative, "ND-GAIN Country Index," <http://index.gain.org/>; UNDP, "Human Development Index and its components," <http://hdr.undp.org/en/composite/HDI>; World Bank, "Indicators," <http://data.worldbank.org/indicator/>; and Yale University, "Environmental Performance Index," <http://epi.yale.edu/>.







## 3. Indonesia's National Priorities

While Indonesia has yet to formulate a national green growth strategy, it has adopted national and sub-national strategic action plans for climate change. Some districts and cities are also moving toward green growth strategies, often with a “landscape approach” to spatial planning, that aims to reconcile sometimes competing conservation and development goals.

### 3.1 National Development Priorities

The economic challenge for Indonesia is to deliver rapid, yet inclusive and people-centered economic growth in support of the ambitious social and economic goals expressed in the nine-point priority agenda of the Indonesia's current national medium-term development plan—Rencana Pembangunan Jangka Menengah Nasional (RPJMN) 2015-2019. This policy agenda, also known as “Nawa Cita”, calls for a clean, transparent and democratic government; a strengthened rural economy; land tenure reform; and increased productivity and competitiveness of the Indonesian people.

The RPJMN 2015-2019 is the main guiding document for all sectors of the economy and provides one of the clearest expressions of current national priorities. It sets ambitious targets for economic growth, food and energy security, poverty reduction, spatial planning, and natural resource management. These targets reflect the nation's urgent development needs, as well as Indonesia's international commitments to achieve the SDGs and their NDC.

**The RPJMN 2015-2019 targets an annual economic growth rate of 6-8%, which is higher than that of recent years.** Recognizing the challenges to attaining such a high rate of growth, the plan focuses on overcoming the following key constraints:

- Inadequate infrastructure, creating high logistical costs;
- Weak linkages between economic sectors that inhibit manufacturing;
- Confusing and contradictory laws and regulations, both at national and local levels, which create high barriers to investments and other transactions;
- Limited appropriate technology and applications, particularly in emerging sectors and sub-sectors of the economy;
- Ineffective financial planning and mobilization.

**The RPJMN 2015-2019 also targets a poverty rate of 7-8% by 2019** (which means a reduction of 3-4% compared to the poverty rate in 2016), primarily by making the growth process more inclusive to close consumption gaps between wage groups, and reduce inequality and poverty. The emphasis lies on: (1) improved investments for labor-intensive industries and small and medium-sized enterprises to create jobs; and (2) improved connectivity and development of basic infrastructure to increase economic activity, especially in rural and remote areas.

**The Ministry of Finance launched the *Green Planning and Budgeting Strategy for Indonesia's Sustainable Development (GPB) for 2015-2020, which provides a good foundation of fiscal policy for a comprehensive, long-term national green growth strategy.*** It acknowledges the “growing concern about Indonesia's impressive record on economic growth which is vulnerable to environmental risks associated with climate change and the losses and degradation of its rich natural resources.” It is driven

by the need to fulfill its commitment to implement the *Presidential Regulation no. 61/2011 on the National Action Plan for Greenhouse Gas Emissions Reduction (RAN-GRK)*.

The GPB supports Indonesia's aim to become a high-income country, which requires a new approach to development planning that takes into account the valuation and sustainability of natural resources, the environment and human capital. The strategy identifies six priority policy clusters and twenty-one priority programs to achieve the greatest green economy benefits. The six priority clusters<sup>9</sup> are: (1) forestry, peat-land and marina resources; (2) agriculture; (3) energy and industry; (4) transport, urban and regional development; (5) education and health; and (6) other supporting priorities.

The GPB is used as a tool to assist governments in the integration of green economy perspectives in planning and budgeting. It stresses the importance of leveraging public funds, as well as private investment and civil society participation.

## 3.2 International Agreements

Climate change is recognized as a serious challenge because Indonesia is a source of GHG emissions and also very vulnerable to the impacts of climate change.

**Indonesia voluntarily pledged to reduce its emissions by 26% by 2020, and by 29% by 2030 (unconditional reduction target) against business as usual scenario using their own resources, and by 41% with international support by 2030 (conditional target).**

**This pledge was announced in 2009 in the RPJMN 2010-2014, and confirmed in the NDC of November 2016.** The NDC identifies four priority sectors: (1) the land use sector; (2) Reducing Emissions from Deforestation and Forest Degradation (REDD+), including peatlands;

(3) the energy sector; and (4) the waste management sector. Indonesia signed the Paris Agreement on April 22, 2016 and recently ratified the agreement on October 31, 2016.

Indonesia's strategic approach in relation to the NDC is built on the following foundations: Adopt a landscape approach – Recognizing that climate change adaptation and mitigation efforts are inherently multi-sectoral in nature, an integrated landscape-scale approach covering terrestrial, coastal and marine ecosystems will be taken;

- Scale up best practices – Innovative climate change mitigation and adaptation efforts by the government, private sector and communities will be scaled up;
- Mainstream the climate agenda into development planning and budgeting processes – Key climate change indicators will be included in the formulation of development targets;
- Promote climate resilience in food, water and energy – To address the growing needs of a young population, the management of natural resources will be improved by protecting and restoring terrestrial, coastal and marine ecosystems.

**The GoI played a leading role (among middle-income countries) in the SDG negotiations, and afterwards expressed strong commitment to the 2030 Agenda and the SDGs.** Former President Susilo Bambang Yudhoyono was appointed as Co-Chair of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda leading up to the negotiations. BAPPENAS confirmed that 108 out of 169 SDG targets match the already set-out targets of the national plan. Governance mechanisms for the SDGs that involve stakeholder engagement, and mechanisms that will support mainstreaming of the SDGs in development planning and budgeting, are under development.

<sup>9</sup> The clusters are partly overlapping with the RAN-GRK priority areas of: (1) agriculture; (2) forestry and peat land; (3) energy and transportation; (4) industry; (5) waste management; and (6) other supporting activities. See GoI, "Presidential Regulation of the Republic of Indonesia No. 61 Year 2011 on the National Action Plan for Greenhouse Gas Emissions Reduction," <http://forestclimatecenter.org/files/2011-09-20%20Presidential%20Regulation%20No%2061%20on%20The%20National%20Action%20Plan%20for%20Greenhouse%20Gas%20Emission%20Reduction.pdf>





Healthy and  
productive  
ecosystems  
providing  
services

Sustained  
economic  
growth

**GREEN  
GROWTH**

Social,  
economic and  
environmental  
resilience

Inclusive and  
equitable  
growth

Greenhouse  
gas emission  
reduction



## 4. GGGI's Engagement in Indonesia

### 4.1 Achievements to Date

Since 2013, the GoI, with financial support from the Government of Norway, has been working with GGGI to develop strategies and approaches to achieve green growth. Indonesia is a founding member of GGGI, having signed the Establishment Agreement in 2012 and completed ratification in 2014. On April 13, 2013, GoI (through BAPPENAS) signed a Memorandum of Understanding on mutual collaboration with GGGI to launch programs and activities for the promotion of green growth in Indonesia. The ensuing program of work, known as the GoI-GGGI Green Growth Program, was launched in June 2013. The program is led by BAPPENAS, with a number of national ministries and sub-national governments also actively involved.

This first phase of the program (2013 -2015) included three components, together representing an integrated and holistic approach to green growth. These were:

1. Greening the planning and investment processes, in collaboration with BAPPENAS, the Coordinating Ministry of Economic Affairs and the Ministry of Energy and Mineral Resources;
2. REDD+ for green growth, in collaboration with the REDD+ Agency;
3. Engaging with government agencies at sub-national levels, which consists of programs aligned with the first two components in the two provinces of Central Kalimantan and East Kalimantan.

Capacity building was included in activities across the three components.

A multi-stakeholder Steering Committee was established in 2014 through a Ministerial Decree. The Decree formalizes the joint collaboration and is renewed annually. The Steering Committee's main objective is to provide overall strategic guidance to the GoI-GGGI Green

Growth Program, as well as policy direction, advice and periodic feedback to advance the program.

The Steering Committee is chaired by BAPPENAS and co-chaired by GGGI. Members of the Steering Committee include national government agencies (Coordinating Ministry of Economic Affairs, Ministry of Environment and Forestry, Ministry of Energy and Mineral Resources, Ministry of Agriculture, Ministry of Home Affairs and Ministry of Finance), provincial government agencies (Central and East Kalimantan), private sector associations (Indonesian Chamber of Commerce and the Indonesian Banking Association), civil society organizations (Kehati and Kemitraan), and several individual experts (selected based on influence and expertise).

Members are encouraged to communicate the objectives, rationale and benefits of GGGI's activities, especially amongst high-level policy-makers and other influential stakeholders, and represent the program as ambassadors at high-profile public forums and other events in Indonesia and abroad.

Since 2013, intensive engagement with national and sub-national government partners, including the participatory development of a Green Growth Framework for Indonesia and a roadmap for Indonesia, has resulted in national and local ownership of the program. Moreover, a comprehensive set of policy documents, assessments, business cases and prioritization tools, for both national and sub-national interventions, has been developed.

**GGGI has introduced an inclusive, systematic and analytical approach to mainstreaming green growth.** Working closely with stakeholders, five desired outcomes of green growth have been defined, which form the basis of a systematic process to assess existing and planned projects' green growth performance. To improve planning/re-design of projects in a systematic way, GGGI applies a tool known as "extended cost benefit analysis" (eCBA) to value the costs and benefits of these projects versus an alternative with green growth interventions. The valuations are done as holistically as possible, bringing into the equation the often "hidden" costs and benefits (externalities) borne by society.

**Significant interest in this approach has resulted in a number of national and sub-national training workshops, and a demand to integrate the various tools used in national government training curricula.**

The results summarized in Table 4 show that in a relatively short period, GGGI has already taken significant steps toward reaching the overall goal of supporting Indonesia to build a sustainable future. Green growth is increasingly understood and seen as desirable by government and private actors.

**GGGI's interventions in Phase I have resulted in the allocation of about IDR 68 billion (nearly USD 5 million) of two district budgets in Central Kalimantan to activities recommended in the green growth strategies, which were developed in partnership with district stakeholders. The Pulang Pisau district government has specifically allocated an additional USD 3 million for peatland rehabilitation, which was part of GGGI's recommendations in the green growth strategy for this district.**

Lessons learned in Phase I include the importance of strong, national-level engagements to ensure successful implementation at provincial, district and project levels, while a structured and regular information dissemination mechanism will further strengthen the program in Phase II. Overall, stakeholders at both individual and institutional levels are increasingly eager to build their knowledge and skills in the area of green growth. GGGI will continue this effort in Phase II of the Green Growth Program (2016-2019), especially through project-level demonstrations and strengthened green growth capacity.

### 4.2 GGGI's Value Addition

**GGGI's achievements to date illustrate that the organization has established itself as a trusted advisor to the government on green growth planning, analysis and investments.** Program implementation is undertaken by hybrid teams, consisting of GGGI staff members, staff from implementing ministries and external experts (i.e., academics and advisors). This has proven to be a practical and functional method of work that has delivered good results. With this arrangement, GGGI staff members are based in relevant ministries to ensure close alignment of working priorities and capacity transfer.

**GGGI's distinctive role or niche is based to a large extent on the green growth value chain,** which sets out a green growth planning and implementation approach that proceeds from initial diagnosis and green impact assessment, through sector and sub-sector strategy development and planning, then on to project design and financing. To facilitate these efforts, GGGI in Indonesia takes a distinctive, "bottom-up" approach to diagnosis and project planning, working closely with sub-national partners and, at the same time, with national agencies to help connect local needs with national priorities and resources. With support from GGGI's global team, these linkages can also extend to international sources of expertise and finance.

**GGGI's global experience on the development of bankable project pipelines serves as a blueprint for unlocking large-scale finance and delivering high impact.** Building on the work done in Phase I of the Green Growth Program, which focused on mainstreaming green growth in development planning and developing diagnostic tools and methods, GGGI will now focus on the delivery of bankable projects.

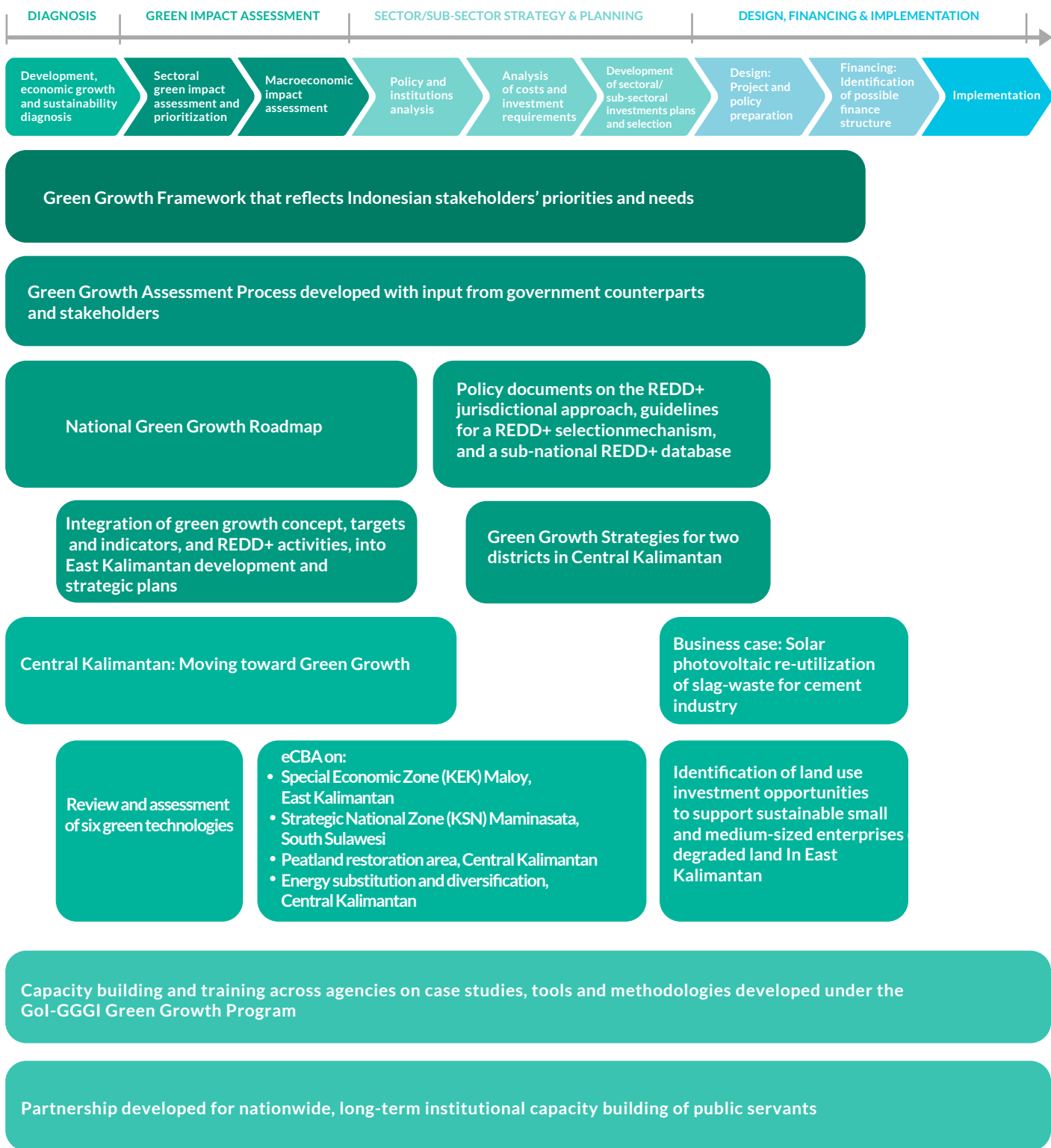
The strong focus on accelerating investments in this five-year period is a direct result of the participatory processes during Phase I, and the engagement with international and local agencies active in the area of green growth.

**GGGI has demonstrated success in leveraging partnerships with other cooperation agencies, and catalyzing their work on sectors related to green growth.** A substantial number of development partners are active in Indonesia's forest and land use sectors, as well as in the energy sector. Key development partners with which GGGI has established working relationships include the World Bank and the International Finance Corporation, UNDP, ADB, DANIDA, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), United States Agency for International Development (USAID), and Organisation for Economic Co-operation and Development (OECD).

GGGI has played an active role in catalyzing interventions of many development partners, including the World Bank's Forest Carbon Partnership, USAID's peatland project in the Central Kalimantan Fund, and GIZ's work on renewable energy in East Kalimantan. GGGI will continue to work closely with these partners and expand partnerships with other relevant organizations.

Table 4. Phase I (2013-2015) results

Green growth mainstreamed into planning and investment decision-making processes	Strengthened green growth performance of projects and investments	
<ul style="list-style-type: none"> <li>• A national green growth roadmap, developed in collaboration with stakeholders from multiple sectors and endorsed by the Minister of National Development Planning, provides guidance and becomes a reference point for decision-makers, with a 50-point action plan for planning, investment and performance monitoring, and illustrated by case studies.</li> <li>• Green growth objectives and practices, including key elements of REDD+, have been mainstreamed into provincial and district plans in Central Kalimantan (CK) and East Kalimantan (EK), including EK’s medium-term development plan and two comprehensive green growth strategies at the district level in CK.</li> <li>• Tools for designing and assessing policies, plans and projects, i.e., the Green Growth Assessment Process and the cost benefit tool that integrates environmental and social aspects (eCBA), have been disseminated to a wide range of stakeholders, and incorporated into ongoing project and sectoral planning in the pilot provinces to guide investors and policy-makers.</li> <li>• In recognition of its contributions to redefining economic growth in CK, GGGI has been invited to sit on the CK Economic Board that advises the governor on the direction of economic policies, and on the regional workforce that is in charge of drafting the CK’s regional strategy and development plans. GGGI is the only external entity sitting in both the high-level government policy teams.</li> <li>• In EK, the local government has allocated budget to develop a Provincial Green Growth Master Plan in three special economic zones.</li> <li>• The Green Growth Program has been mandated by EK governor’s decree to facilitate and give technical advice to provincial agencies and pilot districts.</li> </ul>	<ul style="list-style-type: none"> <li>• Technical support and capacity building enable government and non-government stakeholders to assess projects and policies, and drive investments toward green growth (including REDD+ sectors), while improving sustainability of projects.</li> <li>• Four technical studies showcase eCBA as a useful tool to guide investments and improve green growth performance of planned projects (including REDD+ interventions).</li> <li>• A renewable energy scoping paper identifies EK’s renewable energy potential and assesses the policy environment to enable viable renewable energy projects.</li> <li>• An assessment on priority green technologies presents six technologies suitable for deployment in Indonesia, followed by two pre-feasibility studies on solar energy and bioenergy in EK, including a series of workshops to identify practical opportunities and investments for bankable green energy projects.</li> </ul>	
Accelerated disbursement of funding to REDD+ projects which catalyze green growth	Strengthened capacity to implement key pilots in the short term	Enhanced capability at national and sub-national government to put together a green growth program at scale in the medium and long term
<ul style="list-style-type: none"> <li>• Selection framework for REDD+ investments and guidance on a “jurisdictional approach” have been adopted by national authorities.</li> <li>• REDD+ priorities and objectives have been mainstreamed in provincial planning (EK) and district green growth strategies (CK)—supported by budget allocations—as well as in the national green growth roadmap.</li> <li>• Two program proposals with local proponents have been approved by district government and submitted by proponents to the Indonesia Climate Change Trust Fund through GGGI’s facilitation.</li> </ul>	<ul style="list-style-type: none"> <li>• Forty-seven workshops held throughout Phase I have contributed to green growth capacity development at national and sub-national levels.</li> <li>• In EK, assessments encouraging sustainable community enterprises on small plots of degraded land have been adopted in the regional strategy (RENSTRA) of the provincial agriculture agency and budget has been allocated for the development of a pilot plot.</li> <li>• In CK, about IDR 68 billion (nearly USD 5 million) of district budget in Murung Raya and Pulang Pisau has been allocated for activities recommended in the green growth strategies.</li> </ul>	<ul style="list-style-type: none"> <li>• A needs assessment has been conducted, and a national green growth capacity building strategy has been formulated with commitments from the National Institute of Public Administration and other partners to implement it across the country. This strategy is to be further refined and implemented in Phase II.</li> <li>• A diverse Steering Committee with representatives from the government, private sector and civil society has been formed and has met twice since program inception.</li> <li>• The Joint Green Growth Program Secretariat has been established and staffed.</li> <li>• Twenty-nine technical reports and communication materials have been produced and disseminated. The Green Growth Program microsite has been developed and incorporated into the BAPPENAS website. A social media network has been built with nearly 400 followers by end of 2015.</li> </ul>







## 5. GGGI's Impact Pathway

Indonesia's national and international commitments and targets are designed around inclusive and people-centered economic growth in support of the ambitious social and economic goals expressed in the nine-point priority agenda of Indonesia's RPJMN 2015-2019. Targets include an annual economic growth rate of 6-8% and a decline in the poverty rate to 7-8% by 2019. Furthermore, Indonesia is committed to ensuring the sustainability of natural resources, the environment and human capital, and aims to become a high-income country. These commitments are reiterated in the NDC, which also confirms Indonesia's commitment to reduce its emissions by 26% against the business as usual scenario by 2020. Additionally, Indonesia has committed itself to the SDGs, many of which are directly in line with the already set national goals. GGGI's collaborative green growth work with the Gol is fully aimed to support the Gol in delivering the NDC and SDG targets.

### Box 2. CPF Impact

In line with national targets, the Gol and GGGI have formulated the impact aim of the Green Growth Program in Indonesia, as follows:

*Indonesia achieves green growth that is socially inclusive, environmentally sustainable and resource efficient.*

### 5.1 Challenges and Opportunities

The GGGI, Gol and other stakeholders have identified two main challenges to green growth in Indonesia where GGGI's comparative advantage can best be applied. They are:

1. Insufficient domestic and international investments to reach set targets;
2. The presence of knowledge and capacity gaps.

#### 5.1.1 Insufficient Domestic and International Investments to Reach Set Targets

**The Gol has set ambitious green growth goals, but lacks the funding to reach these goals.** The Gol acknowledges this challenge and is working hard to attract both domestic and international funding. When it comes to public funding, the national-level plans that aim to guide and provide opportunities for green growth in Indonesia are unfortunately not adopted in ministerial sector development plans and/or provincial sector development plans. This is partly due to the lack of budget, and partly due to capacity gaps (see section 5.1.2). The absence of green and inclusive planning and strategies has resulted in a lack of budget allocation for green economic growth.

**To summarize, not enough budget is available, and due to a lack of inclusive planning and strategizing, this scarce budget does not get allocated to relevant green growth actions.**

**To attract foreign and domestic private sector investments in green projects, the enabling environment needs to be improved to accommodate the needs of the private sector.** This may include standardized term sheets and consent agreements, improved transparent procurement such as small-scale bidding processes, carbon pricing, tax exemptions and quota systems. In general, the political and regulatory environment would need to address the inadequate fiscal policies and incentives, conflicting sectoral policies, insufficient financing mechanisms, and challenging licensing processes. Indonesia has acknowledged many of these challenges, for example in the GPB, and is working on introducing changes with a variety of international and local partners.

**Nevertheless, the private sector itself is currently not developing sufficient, high-quality bankable projects.** This is because of the lack of capacity and knowledge, the lack of network, and the lack of the above-mentioned enabling environment. Project developers, financial

institutions and relevant government parties operate differently and experience difficulties connecting to one another. There is also an identified lack of commitment by financial institutions to green projects.

**These challenges lead to an opportunity for GGGI to become the bridge between project proponents, governments and financiers.** Bringing together different interest groups to design projects that are more socially inclusive, environmentally sustainable and resource efficient can enhance green capital flow from public and private green and inclusive investors. A shift from a fossil-fuel-based economy to one that actively promotes renewable energy, and efforts that support economic development while restoring forested and peat landscapes, can contribute significantly to achieving the NDC and SDGs.

For example, driving investments toward bankable business models in and around peatland areas through paludiculture (wet cultivation of land) to support peatland restoration can demonstrate tangible economic benefits for the local economy, especially local communities. This reduces the pressure to convert areas in and around peat, and can support Indonesia in meeting NDC targets.

### 5.1.2 Knowledge and Capacity Gaps

**Capacity limitations in the public, private and financial sectors are an overarching barrier to the uptake and mainstreaming of green growth principles, concepts and methodologies.** Of course this is closely linked to a lack of funds (see section 5.1.1), as with additional funds such gaps could be minimized.

At the national level, the mainstreaming of green growth in government planning and budgeting is lagging behind due to this limitation in capacity. At the sub-national level, the implementation of policies and strategies is the main challenge. Sub-national governments often have difficulty addressing the demands imposed by the new climate change action plans, and the relatively new requirement for strategic environmental assessments of all major new policies, plans and programs.

The private sector also has capacity gaps hindering projects' bankability. Private sector parties have, for example, limited knowledge about government regulations and limited relationships with government bodies. Additionally, they lack the capacity to develop and finance projects all the way up to the stage of financial close. At the same time, financial institutions do not have the financial and technical capacity to scope projects at the grass-roots level.

There are clear knowledge and capacity gaps in the public, private and financial sectors. GGGI aims to address these challenges systematically through two main interventions (see section 5.2).

## 5.2 GGGI's Strategic Response

In light of the two key challenges related to funding and capacity, it is clear that the right combination of capable institutions, committed leaders, policies and plans that enable sound investment in green growth projects can bring about the change that Indonesia needs for a cleaner, more prosperous future. Therefore, GGGI will work with the GoI to create capable institutions that are able to scale up green and inclusive growth, which will increase investments that lead to reduced emissions and healthier, more productive ecosystems. The program of work under the CPF aims to contribute to Indonesia's ambitions to develop and build its economy in a sustainable and inclusive way, meeting its NDC and development targets.

Two inter-linked outcomes have been identified to tackle the challenges as follows:

- Outcome 1: Capable institutions scale up green growth;
- Outcome 2: Increased inclusive green investment in priority sectors leads to reduced emissions and healthier, more productive ecosystems.



### 5.2.1 Outcome 1: Capable Institutions Scale Up Green Growth

Over the five-year period, GGGI and the Gol will jointly endeavor to:

- Train at least 30,000 civil servants on green growth through the Gol's civil service training institute;
- Demonstrate that at least 70% of the participants exposed to green growth tools, knowledge products and South-South initiatives have experienced improvement in green growth related learning.

**To set a foundation for the transformational changes that the Gol envisions for Indonesia, GGGI will support the government in building institutions capable of scaling up green growth, and ensure that the government has informed national and sub-national decision-makers with the understanding and capacity to apply green growth tools and approaches.**

Increasing green public investment and improving the enabling environment for green private investment will require well governed and capable institutions and leadership, as well as broad support from the private sector and civil society. GGGI will support the long-term institutional sustainability and replication of a green growth approach through the collaborative Green Growth Program.

Together with BAPPENAS and other implementing partners in the program, GGGI will be responsible for service delivery in support of national and sub-national partner agencies. This includes giving direct technical assistance to design bankable projects, financial vehicles and instruments to mobilize capital.

**The Gol-GGGI Green Growth Program will develop a clearinghouse for information about tools, methods, approaches, and green investment cases studies from Indonesia and other countries.** It will address the capacity gaps as identified for the public, private and financial sectors, with strong emphasis on the development of successful case studies to facilitate and normalize future project development steps, and to promote South-South learning.

**GGGI will provide technical assistance to develop curricula and other capacity building initiatives targeted at national and sub-national decision-makers.** Ultimately, the aim is for these decision-makers to have the will and capacity to replicate and scale up green growth approaches. A strategy for integrating green growth in the national curriculum will ensure long-term and sustainable changes.

**GGGI is cooperating with the National Institute of Public Administration or Lembaga Administrasi Negara (LAN)<sup>10</sup> to ensure that green and inclusive growth is integrated** in the basic and advanced trainings of LAN, as well as in the high-level reform trainings through which it will reach national and sub-national government officials. This will result in improved mainstreaming and inclusion of green and inclusive growth in development planning and strategies (see Outcome 2). Ensuring a strong focus on environmental and social safeguards, and incorporating green growth tools such as green budgeting and strategic environmental assessments will be key. A good understanding of these green growth approaches and tools will better equip government officials and strengthen their ability to implement and achieve RPJMN targets.

**GGGI will facilitate knowledge exchange among countries in the region, drawing from the experience of GGGI country programs and other educational sources, and encouraging South-South cooperation as the curriculum is being developed.**

This outcome contributes to several SDGs in Indonesia, particularly the target of SDG17.9 that aims to enhance the implementation of effective and targeted capacity building to support national plans and implement development goals. This outcome also intends to strengthen North-South, South-South and triangular regional and international cooperation; provide access to science, technology and innovation; and enhance knowledge sharing on green growth, as stipulated in SDG17.6. Furthermore, this outcome contributes to SDG16.7 by promoting responsive, inclusive, participatory and representative decision-making on green growth.

<sup>10</sup> LAN has the mandate to educate and train all government officials and civil servants.

## 5.2.2 Outcome 2: Increased Inclusive Green Investment in Priority Sectors Leads to Reduced Emissions and Healthier, More Productive Ecosystems

Over the five-year period, GGGI and the GoI will jointly endeavor to:

- Mobilize at least USD 110 million of investment, leveraged through demonstrations of commercially viable business models in rural and industrial areas, benefiting at least 1 million people;
- Develop 60-100 MW<sup>11</sup> of clean energy and improved sustainable infrastructure in selected special economic zones, contributing up to 1 million tons of CO<sub>2</sub> emission reduction a year;
- Reduce or avoid 400 million tons of CO<sub>2</sub> emission in forested landscapes (non-peat) and 200 million tons of CO<sub>2</sub> emission on peat landscapes across 1 million hectares.

### Increasing Investment

To overcome barriers to green growth investments and projects, a systematic effort is needed to mainstream green growth into government strategies and plans. These strategies and plans at national and sub-national levels set the overall direction, goals and means of economic development for the type of projects that can become bankable.

Enabling inclusive green projects requires a methodical approach by policy-makers and planners at both national and sub-national levels, to create the necessary conditions and incentives to encourage investment in green projects. Policies that encourage and enable investment in cleaner, more efficient and more productive business practices, and which do more to internalize the social and environmental costs of environmental damage, are key levers of reform. Putting these in place is part of the necessary preparation to enable green projects to reach bankability.

<sup>11</sup> This is assuming that policy enablers are already in place to be able to replicate and scale up successful clean energy projects.

**GGGI will work closely with BAPPENAS and other national and sub-national government partners to establish a conducive environment for green investment and help leverage capital.** GGGI's services will include:

- Technical assistance to ensure that green growth is mainstreamed in development strategies and plans of the priority sector, and is adopted by relevant Indonesian government authorities;
- Technical assistance to support the development of systematic approaches that encourage green investment, especially in the priority sectors, and enable the government to benefit from cheaper green technologies;
- Technical assistance that brings potential green projects to the bankable stage. This includes providing advisory services on accessing climate funds and the structuring of bankable projects. GGGI will also support the structure of financial vehicles and instruments to de-risk investment in green projects, and integrate social and environmental costs and benefits into the planning and design processes.

**As such, GGGI will assist the GoI in building investor confidence, attracting required capital, making sustainable "green" business models profitable in the existing sectors, and opening up new and untapped opportunities.**

A number of catalytic bankable programs and projects in a variety of sectors that clearly contribute to meeting Indonesia's RPJMN, GPB, NDC and SDG targets are being prioritized. The GoI-GGGI Green Growth Program will leverage investments in these programs and projects at the sub-national level within the priority sectors. Measuring green growth performance, catalyzing knowledge development, and building capacity will ensure replication, upscaling and institutional sustainability beyond the life of the program.

These interventions will contribute to several of the targets set out in SDG16 and SDG17. They include strengthening domestic resource mobilization, mobilizing additional financial resources for developing countries from multiple sources, and adopting and implementing investment promotion regimes.





### *Reducing Emissions*

**The GoI-GGGI Green Growth Program aims to accelerate investments in inclusive mitigation projects in the priority sectors, through reduced barriers, access to financing and a number of catalytic bankable programs and projects that directly contribute to the target set out in the RPJMN and the NDC—a 26% reduction in GHG emissions by 2020.**

An example of such a project is the replacement of traditional fuel energy systems like diesel with solar photovoltaic to reduce Indonesia's GHG emissions. At the same time, social aspects (e.g., relocation) are taken into account during project planning, development and implementation.

Another example is in the peat sector in Indonesia, where peatland restoration can avoid peat fires and ensure continued livelihoods. Besides a reduction in GHG emissions, this intervention will improve local air quality through reduction in air pollutants, thus improving public health.

Similarly, the use of palm oil mill effluent for energy purposes will reduce GHG emissions and also address local pollution issues—biogas production and capture reduces the number of pollutants that go at a later stage to water and soil. Such innovations are important for improving health outcomes and the quality of life for Indonesians.

These interventions contribute directly to achieving SDG7 on affordable and clean energy, and SDG13 on climate action. However, they also directly and indirectly contribute to many other SDGs.

### *Healthier and More Productive Ecosystems*

**Increased green and inclusive investments in the forest and land use sectors will reduce the rate of deforestation and help sustain Indonesia's natural capital—the stock of natural resources that supply a continuous flow of benefits in the form of ecosystem services essential to food security, human well-being and economic growth. Sustainable land practices contribute to healthy and productive ecosystems such as the provision of clean water, raw materials and fertile soil. However, these ecosystem services are often not valued as inputs to economic production and thus omitted from decision-making.**

**In response, GGGI is working with partners to establish business models that capture and value ecosystem services in the forest and land use sectors.** It includes the introduction of innovative technologies to support efficient and sustainable forest products and agroforestry operations, as well as access to markets and finance. It also involves exploring the replicability and scalability of new business opportunities in collaboration with smallholder farmers and investors to market value-added products and services, e.g., oils, sugars, nuts, cassava, fruits, chocolate, bamboo, tourism and high-value timber.

A potential indicator for such an outcome is, for example, the “area of forest in good condition”, defined as forest that provides: full watershed protection benefits including run-off buffering and reduced soil erosion; carbon stocks; and strong biodiversity benefits, equivalent to those provided by mature rainforests. Progress on this indicator can be derived from the data reported in the Ministry of Environment and Forestry’s Statistics Yearbook, and will draw attention to the importance of monitoring the quality of forests, as well as their area. Another similar indicator could be the area of intact forest.

**To ensure that gender and social safeguards are sufficiently integrated in all investment projects, a gender sensitivity and social safeguards assessment will be done for all activities and outputs.** The result will be a gender and social safeguards action plan, which will ensure that all activities are inclusive and gender sensitive, and that proper safeguards are incorporated.

Following the results achieved in Phase I of the Green Growth Program (2013-2015), GGGI’s government partners have asked that GGGI’s activities concentrate on clean energy (with a particular focus on renewable energy and energy efficiency), green infrastructure projects in the context of special economic zones, and forest- and land-based mitigation (with emphasis on enabling and financing REDD+ programs within the broader context of green growth).

These sectors and areas are among those with the greatest potential for replication and upscaling to accelerate green growth in Indonesia, and support Indonesia in meeting the NDC and SDG targets.

**GGGI will continue to work in Central Kalimantan and East Kalimantan, building upon the already established relationship. However, additional provinces will be supported based on opportunity and demand.**

### 5.2.3 Operational Arrangements and Mechanism for Service Delivery

**The Gol-GGGI Green Growth Program is governed by a Steering Committee** whose members represent the partners from government, private sector and civil society associations, and prominent individuals together with GGGI. The Steering Committee provides high-level direction and oversight, and sets the strategic direction of the program.

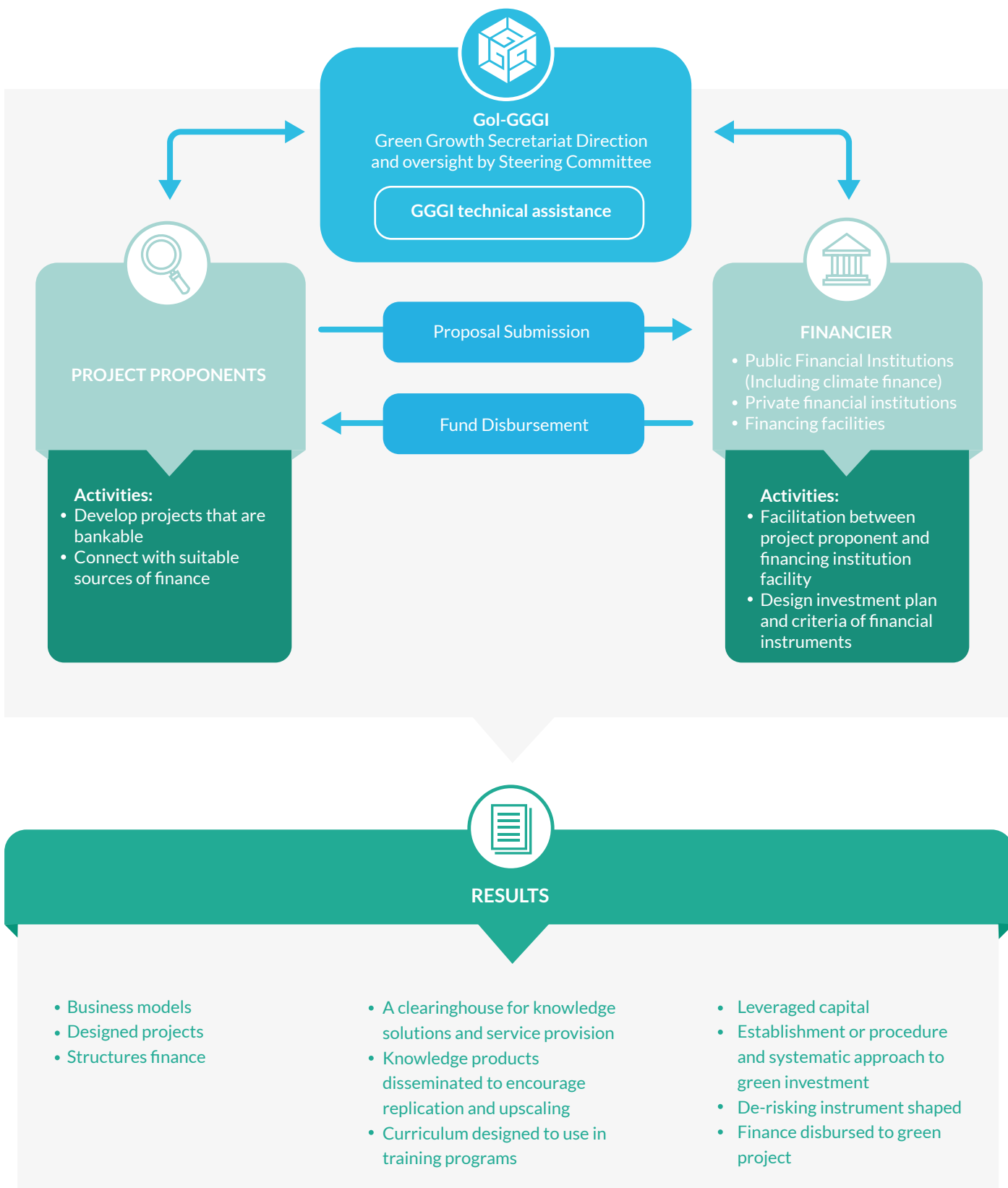
**Day-to-day operations of the program are coordinated by a joint Green Growth Program Secretariat**, which is responsible for service delivery in support of national and sub-national partner agencies. The Secretariat gives direct technical assistance to design bankable projects, financial vehicles and instruments to mobilize capital. It also tracks selected indicators to monitor progress toward achieving the goals and results of activities, as documented in the CPF.

The Secretariat manages the green growth knowledge platform that serves as a clearinghouse for information about tools, methods, approaches, and green investment cases studies from Indonesia and other countries. In addition, the Secretariat delivers institutional capacity building for government partners to mainstream green growth approaches in investment planning. Both knowledge dissemination and training utilize web-based technology, as well as more traditional media.

The Green Growth Program offers services in support of bankable projects, to finance and demonstrate concrete actions on the ground in the priority sectors. The program also supports national financial instruments and enabling conditions to help scale up and replicate successful models, and leverage additional public and private investments in green projects. Tools and methods for measuring green growth performance and institutional capacity building are built into all program activities.

Requests for assistance from project proponents, investors and government partners are channeled through the Secretariat for joint review by GGGI and the relevant government partners, who decide on the delivery of green growth services based on program priorities and capacity.

Figure 1. Service delivery mechanism



To date, the Green Growth Program has secured resources until 2019 and will continue to mobilize resources for program needs until the end of this five-year framework and beyond. The total resource allocation until 2019 is USD 19,918,440, which includes USD 4,738,289 for Outcome 1 and USD 15,180,151 for Outcome 2.







# Annex A: Stakeholder Engagement, Counterpart Identification and Analysis

Counterpart	Sector(s)	Interest and Role	Level of influence in determining the program outcomes
<b>BAPPENAS</b>	Multi-sectoral national plans and policies	High due to strong relationship established over Phase I and the centrality of planning to the core functions of BAPPENAS, which provides strategic guidance for development of strategies and plans, and plays coordination role with implementing ministries and sub-national planning agencies. BAPPENAS important role in delivery of NDC and SDG can help set the guiding framework for systematic green growth decision-making, project design and investment. BAPPENAS is host of secretariat; ensures effective steering committee. Overall, BAPPENAS convenes GoI agencies and international organizations	High influence in determining success as BAPPENAS is our main counterpart and coordinates much of the green-growth related work done by other ministries and provinces
<b>Ministry of Energy and Mineral Resources (MEMR)</b>	Renewable energy and energy efficiency	High, due to engagement established over Phase I and role in national energy planning and policy. MEMR plays a key role in creating the enabling environment/ policies for project implementation	High influence due to its central role in energy policy planning and investments for regional development. However project implementation will ultimately depend on investors. MEMR to contribute with local knowledge and context, GGGI to contribute with best practice, innovative frameworks and demonstrations
<b>Ministry of Environment and Forestry (MEF)</b>	Forestry and land use; cross-sectoral (environment)	High, this ministry takes over the role of the REDD+ Agency and is aware that GGGI has been a key implementing partner of the previous REDD+ Agency in Phase I. MEF is provider of data; compiler of relevant data from sub-national agencies; and technical partner in developing environmentally relevant policies and testing standards, criteria, and indicators related to climate (NDC) and environment and development more generally (SDG)	High, this ministry produces and manages key environmental and forest-related data is now responsible for environmental quality index and monitoring forest cover change
<b>Coordinating Ministry of Economic Affairs (CMEA)</b>	Special Economic Zones (SEZs)	High, due to engagement established over Phase I, this ministry plays key role in institutionalizing green growth tools within CMEA and for overarching design of policy framework of SEZ, as well as project development within SEZs	Strong influence in its central role in policy planning for SEZs. Medium influence in project level decision-making. However CMEA plays a key role in creating the enabling environment/ policies CMEA to contribute with local knowledge and context, GGGI to contribute with best practice, innovative frameworks and demonstrations
<b>Ministry of Finance (MOF)</b>	Energy, SEZ, forest and land use, multi-sectoral	MOF has not been direct counterparts in Phase I yet interest is strong on green growth issues. Fiscal Policy agency plays key role in financial related de-risking instruments relevant to development of bankable projects. The Budget Office as well as the Fiscal Balance Office also play an important role and coordination through the Fiscal Policy Office is essential. PT. Sarana Multi Infrastruktur (SMI), Indonesia's main infrastructure facility or any future new body under MoF in charge of public-private partnership (PPP) investment is important as co-partner in the development of and inclusion of green growth tools (eCBA) in PPP planning and project development	Strong, the main GoI agency in control over fiscal instruments and responsible to shape annual state budget
<b>The National Institute for Public Administration (NIPA)</b>	Training on Green Growth	High due to strong relationship established over Phase I. NIPA is the leading agency which trains public servants in Indonesia	Strong, agency is partner in the development of civil servant green growth training curricula

# Annex B. Results Framework

## Results Framework Green Growth Program

Impact	Indonesia achieves green growth that is socially inclusive, environmentally sustainable and resource efficient	
	* Renewable energy share in 2015 (%); * Area of intact forest in 2015 (ha); * Social Progress Index (SPI) in 2015; * Land-based GHG emissions projected to rise (%).	
Outcomes	1. Capable institutions scale up green growth	2. Increased inclusive green investment in priority sectors leads to reduced emissions and healthier, more productive ecosystems
Indicators	<ul style="list-style-type: none"> <li>* At least 70% of participants exposed to green growth tools, knowledge products and South-South Initiatives have experienced improvement in green growth related learning;</li> <li>* At least 30,000 civil servants received green growth training by the Government of Indonesia's civil service training institute.</li> </ul>	<ul style="list-style-type: none"> <li>* Reduced or avoided 400 million tonnes of CO<sub>2</sub> emission in forested landscapes (non peat) and 200 million tonnes of CO<sub>2</sub> emission on peat landscapes across one million hectares;</li> <li>* Up to 100MW of clean energy and improved sustainable infrastructure in selected special economic zones contributing to at least 2 million tonnes of CO<sub>2</sub> emission reduction a year;</li> <li>* At least 275 million dollars of investment leveraged through demonstrations of commercially viable business models in rural and industrial areas benefiting at least 2 million people.</li> </ul>
Outputs	1A. The Green Growth Secretariat is established as a clearinghouse for knowledge solutions and service provision, in support of green growth planning, enablers and investment	2A. Green energy projects are designed and demonstrated to be financially feasible
Indicators	<ul style="list-style-type: none"> <li>* Secretariat delivers green growth services and coordinates web-based green growth platform;</li> <li>* Partners receive useful support for their green growth activities and recognize the benefits of the Secretariat's services.</li> </ul>	<ul style="list-style-type: none"> <li>* At least two green energy projects in pilot provinces and/or other provinces (based on demand) which has been selected and screened by GGGI as a potentially bankable project meeting green growth criteria has been taken up by investors for further development beyond the pre-feasibility and business case stage;</li> <li>* Fiscal and investment policy recommendations and proposed de-risking instruments meet government requirements, investor expectations and GGGI's international standards;</li> <li>* Framework aligns district, provincial and national policies, and incentives for private investment and public-private partnerships;</li> <li>* Elements of the strategies integrated in plans; strategies and plans formally adopted; budget allocated and spent for strategic elements.</li> </ul>
Outputs	1B. A green growth curriculum is designed and modules are prepared for relevant GoI agencies to use in training programs delivered	2B. Green infrastructure projects in one or more special economic zones (SEZs) are designed and demonstrated to be financially feasible
Indicators	<ul style="list-style-type: none"> <li>* Green growth curriculum and pilot training programs implemented;</li> <li>* Gender and social safeguards integrated in curriculum;</li> <li>* Trainers and coaches demonstrate sufficient knowledge and skills;</li> <li>* Tailor made materials reflect products from Phase I and II and includes GGGI signature products;</li> <li>* % of trained staff acknowledging improved knowledge and capacity as assessed in end training evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>* At least 2 green infrastructure projects in pilot provinces and/or other provinces (based on demand) which have been selected and screened by GGGI as a potentially bankable project meeting GGF criteria have been taken up by investors for further development beyond the pre-feasibility and business case stage;</li> <li>* SEZ fiscal and investment policy recommendations and proposed de-risking instruments meet government requirements and investor expectations;</li> <li>* Final version of handbook with green growth guidelines are agreed with and endorsed by SEZs authorities for their institutionalisation;</li> <li>* Enhanced capacities to plan and assess performance of SEZs;</li> <li>* Green growth objectives and guidelines influence strategic policy documents.</li> </ul>
Outputs	1C. Green growth tools and methods for planning and investment decision-making are provided to national, provincial and district government agencies	2C. Forest and land-based GHG mitigation proposals within a jurisdictional approach are developed with government authorities, submitted for funding and guided during implementation
Indicators	<ul style="list-style-type: none"> <li>* Gender and social safeguards integrated in green growth materials and applied by at least one sub-national government;</li> <li>* Green growth toolkit including guidelines for landscape decision-support tool incorporated in regulatory framework;</li> <li>* At least 8 training workshops on green growth toolkit.</li> </ul>	<ul style="list-style-type: none"> <li>* At least 4 forest and land-based project/program proposals in pilot provinces and/or other provinces (based on demand) meeting GGF criteria designed and submitted to national and international forest and climate funds with scope for PPP and private investment;</li> <li>* REDD+ policy instruments following jurisdictional approach meet national requirements and international standards for REDD+ compliance and investment;</li> <li>* Private finance and PPP enablers designed to drive investments towards forest and land-based mitigation projects/programs;</li> <li>* Green Growth measurement framework to assess district performance under jurisdictional approach system;</li> <li>* Technical advice meets appropriate GoI needs and standards for provincial development and investment plans in CK, EK, and district development, sectoral and investment plans in East and Central Kalimantan and other provinces (based on demand).</li> </ul>
Total Budget USD	Outcome 1: USD 4,738,289	Outcome 2: USD 13,784,871
18,523,159		

## Annex C: Risk Assessment

This risk assessment considers social, political, economic and environmental issues, and assumptions that may (negatively) affect the implementation.

Dimension	Risk	Mitigation	Assumption made to reach outcomes
Social	Entrenched cultural attitudes hinder progress in addressing environmental issues.	Find innovative green growth solutions that support traditional cultural aspirations.	<ul style="list-style-type: none"> <li>Communities/downstream users will engage constructively in project design and implementation.</li> </ul>
	Women and other marginalized groups are excluded from decision-making.	<ul style="list-style-type: none"> <li>Apply GGGI's policies and international standards for social inclusion.</li> <li>Share knowledge and build understanding through capacity building.</li> </ul>	<ul style="list-style-type: none"> <li>Investors see value in social benefits, from enlightened self-interest and/or due to government policies/incentives.</li> </ul>
Political	Weak governance and shift toward less green-growth friendly policies.	Emphasize practical demonstration of green growth benefits and introduce transparent procurement processes.	<ul style="list-style-type: none"> <li>Government committed to improve governance of the sector, and policies remain conducive and committed to green growth.</li> </ul>
	Vested interests of certain groups in society push policies in a less-green direction.	Share knowledge and build understanding through capacity building among decision-makers.	<ul style="list-style-type: none"> <li>Gol is willing to incorporate green growth interventions and indicators into policies, plans and budgets in line with expressed targets.</li> </ul>
	Changes in national REDD+ policy and governance make access to funds for investment projects more difficult.	Maintain flexibility to seek alternative sources of finance by focusing on broader, green growth context of REDD+.	<ul style="list-style-type: none"> <li>Donor interest in and commitment to financing REDD+ is sustained.</li> </ul>
	Changes in personnel and leadership dilute commitment.	<ul style="list-style-type: none"> <li>Work at multiple levels within and across agencies to build strong institutional commitment and "memory".</li> </ul>	<ul style="list-style-type: none"> <li>Institutional structures and responsibilities are clear and relatively stable.</li> </ul>
	Green investment is not a priority for the new government in Indonesia.	<ul style="list-style-type: none"> <li>Through planning activities ensure green growth adoption in long-term strategies.</li> <li>Ensure that green growth policies and plans are operational with clear steps for implementation.</li> </ul>	
Economic	Investors perceive Indonesia as a whole or priority sectors as too risky.	Use analysis to demonstrate that green projects are worthy of investment.	<ul style="list-style-type: none"> <li>Overall investment climate remains positive.</li> </ul>
	Opportunities and proponents for bankable projects cannot be found in priority sectors.	Work closely with government counterparts, private sector and other stakeholders to identify opportunities.	<ul style="list-style-type: none"> <li>GGGI is able to identify opportunities and proponents for bankable projects.</li> </ul>
	GGGI's attribution to economic growth is difficult to measure due to the multiple influencers in Indonesia's large economy.	Close monitoring and evaluation of program activities, ideally research based.	
Environmental	Pilot projects meant to demonstrate clean business models may be overwhelmed by bad environmental practices in surrounding areas.	Situate pilots within a sustainable landscape approach supported by work on enabling policies and incentives.	<ul style="list-style-type: none"> <li>Environmental benefits of green growth solutions demonstrate sufficient tangible impacts to make positive actions worthwhile.</li> </ul>
	Energy efficiency and conservation projects result in rebound effects.	Promote knowledge sharing (awareness raising) and build understanding through capacity building alongside project development.	<ul style="list-style-type: none"> <li>Real economic and social costs of environmental damage, when vividly communicated to policy-makers, will influence their decisions and actions.</li> </ul>







Global  
Green Growth  
Institute

Follow our activities  
on Facebook and Twitter



[www.gggi.org](http://www.gggi.org)