GREENING THE NATIONAL DEVELOPMENT PLAN

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DEVELOPMENT POLICY

- President’s “Manifesto 2012: Sustainable Growth with Equity” through policies of “Pro Growth, Pro Poor, Pro Job and Pro Green”;
- Specific target of 6-7% rate of growth with 26-41% reduction of CO2 emission by 2020 and lower than 10% of the poor below the poverty line by 2014;
- Main policy instruments: Budget with deficit below 3% of GDP and prudent monetary policies aiming at below the 8% annual rate of inflation;
- Annual, Five Year and Long Term Plan Development
THE PREREQUISITES

- Coordination of policy implementation to enable coherent interdependencies within and between the triple track economic-social-environment of sustainable growth by Central, Provinces and Districts Governments;

- To reach for an integrated goal comprising of “Economic GDP, Human Well Being with Social Equity and Continued Function of Nature’s; Biocapacity to sustain life;

- Good and transparent Governance with democracy and accountability without corruption;
THE CHALLENGES: INEQUALITY

- Population growth from 243 million now to 313 mil. by 2050, with 80% in Java-Sumatra-Bali (JSB) becoming the political epicentrum with “1 man, 1 vote”;
- JSB produces 80% GDP, attracts dev. facilities & infrastructure inducing more people to move to JSB;
- Terms of trade urban and income better than rural, which induces rapid urbanization;
- Gini-coefficient in income distribution is increasing;
THE CHALLENGES: REGIONAL DISPARITY

- Regional growth along the U-curve of Malacca Strait, Karimata Strait, Java Sea, Celebes Strait;
- Outside the U-curve = low growth (western part of Sumatra, South Java, Central Kalimantan, East Indonesia);
- Growing regional disparity due to increase & better connectivity and infrastructure development in JSB, including banking, education and health facilities creating a “growing developing West Indonesia” and a “crawling changing East Indonesia”;
THE CHALLENGES: MIDDLE INCOME TRAP

- Indonesia’s “comfort zone of development” is exploitation of raw material for exports with low value added and low science-technology input;
- It faces competition from labor intensive growth countries, China, India and ASEAN;
- It faces competition from high-technology Asian countries, South Korea, Singapore;
- If Indonesia is stucked in “comfort zone of current development growth” it may faces Middle-Y Trap;
THE CHALLENGES: ENVIRONMENTAL DESTRUCTION

- Market economy suffers “market failures” against sustainability of resource use, with consumption behaviours of rising middle & high income group that are import oriented, low domestic value added and exploitation of depleted natural resources;

- Located along the equator, which provide rich diverse tropical resources are prone to climate change with impacts on sea level rise and erosion of biodiversity of rich tropical terrestrial & marine resources;
GREEN GROWTH INDICATORS

There is the need to transform “GDP Growth Indicator” into “cluster of green growth indicators”:

- Economic Development goals on the basis of value added through resource enrichment by technology;
- Social Development goals of “declining income Gini Coefficient, reducing Regional Disparity, rising Human Development Index with achieving MDG’s;
- Environmental Development goal by “reducing ecological footprint below nature’s bio-capacity and ensuring continued function of ecosystems to support life;
GREEN GROWTH POLICY TOOLS

- Employ fiscal and monetary policy means to correct “market failures” by internalizing externalities;
- Natural Resource Mapping as tools of Spatial Planning to allocate developmental activities in accordance to the spatial carrying & bio-capacities;
- Identify regions with “sectoral ecological footprints that exceeds regional bio-capacity” to guide resource use in “bio-deficit regions” through spatial development;
- Establish “Social Accounting Matrix” that embraces economic, social & environmental flow of input and output as tool for sectoral integrated development.
The Indonesian Budget can be used to coordinate intersectoral activities through:

- Earmarking budgetary allocations for disbursement to ensure intersectoral coordination in districts;
- Use subsidies to internalize externalities not revealed in the market, in energy, irrigation, waste;
- Use “Dana Alokasi Khusus” as incentives to induce social and environmental activities;
- Excise tax & payments like CSR to internalize external environmental cost such as pollution, waste management, resource depletion;
GREEN MONETARY MEANS

- Central Bank needs to lead the banking sector by applying “the Equator Principle of IFC”;
- Central Bank uses Banking Success Indicators (loan-to-deposit-ratio, debt-service ratio, etc) as vehicles to direct flow of money to sustain development;
- Financial stimulus is geared towards activities that are environmentally sound and socially justified in order to energize development;
- Induces “Green Indexes” in stock markets;
GREEN PATHWAYS OF DEVELOPMENT

- Identify “Quantitative Environmental Targets” (reducing CO2 emission by 26-45% by 2020 etc) to be reached by sectors based on clean technology, through “point sources of pollution” management and apply jointly packaged items of green policies;

- Identify “enemies & friends of green development” to apply right incentives & disincentives policies

- Establish “triangle of partnership” (government, business and civil society) to reach for triple track economic-social-green development coordination;

- Starts small but grow big comprehensively and now!