

INDONESIA

BASIC FACTS ABOUT PEI INDONESIA

Timescale: Full size Phase (2014-2017)

Partners: Center for Climate Change Financing (2014-2017), Policy and Multilateral (PKPPIM), Fiscal Policy Agency (BKF), the Ministry of Finance and UNDP Indonesia

Focus: To strengthen the capacities of the Government of Indonesia to green the processes of policy decision making, budget planning and monitoring by focusing on the development and implementation of budget tagging and performance-based budgeting system. Three thematic areas of climate change mitigation, adaptation/disaster risk reduction, and biodiversity are of particular emphasis.

MAINSTREAMING CONTEXT

Indonesia has made significant progress towards poverty reduction and overall national development. The country experienced an annual 6% GDP growth from 2010-2012 and the government has promoted fiscal policies that have resulted in a debt-to-GDP ratio of less than 25%, and a fiscal deficit below 3%. However, Indonesia's economy is 'brown,' which is based on energy intensity, high carbon emissions, and exploitation of ecosystem services. This has resulted in rapid ecosystem degradation and unsustainable development. While past and on-going initiatives to protect the environment can continue to help improve the situation, there is also potential to restructure the base of Indonesia's economy to depart from the 'business-as-usual' development and move towards an inclusive, green economy.

MAIN ACTIVITIES

Develop an inclusive budget tagging and performance-based budgeting system for climate change mitigation, adaptation, and biodiversity through: a detailed review of sector plans and processes; assessments of current expenditures on climate change and biodiversity; and development of budget performance indicators for prioritization and budget efficiency analysis.

Develop gender responsive and pro-poor budget tagging and scoring for adaptation and biodiversity drawing on lessons learned from the Low Emission Scoring System being used for mitigation.

Recommend fiscal policies to support implementation of gender responsive and pro-poor mitigation, adaptation and biodiversity actions.

Piloting implementation of green planning and budgeting and support capacity building in sectors and at the sub-national level.

ACHIEVEMENTS

With PEI support, the Budget Tagging System for climate change mitigation has been embedded within the National Budgeting System based on the decree enacted by the Minister of Finance. This mechanism is helping decision makers to track allocation and to better allocate resources on mitigation actions. As of 2014, the Tagging System is mandatory and currently piloted within seven Ministries including the Ministries of Forests, Energy, Agriculture, Industry, Public Works, Transportation and Ministry of Environment. The Tagging System will cover agriculture, forestry and peatlands, transport, industry, energy and waste sectors.