

Mainstreaming Environmental Services in Indonesia's Development Policies

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Setting the Policy Issues

- Environmental services is a new topic in Indonesia. The “markets” for such services are not developed, yet not well-understood even in campus.
- There are gaps between current policies on payment for environmental services, if any, and on-going initiatives at society level, in terms of basic concepts, criteria and indicators, reward mechanism and even the objectives.
- Some entry points: land tenure, eco-label, eco-tourisms, trust fund, social capital support, hard soft infrastructure, education and health service, local governance, clear implementation of global convention, community-based forestry, integrated natural resource management, etc.

Justification for Policy Intervention

Law 5/1990 on Conservation of Biological Diversity

Law 24/1992 on Spatial Plan

Law 23/1997 on Environmental Management

Law 41/1999 on Forestry

Law 34/2000 on Tax and Retribution of Local Government

Law 7/2004 on Water Resources

Law 17/2004 on Ratification of Kyoto Protocol

Law 25/2004 on Plantation

Law 32 and 33/2004 on Autonomy and Fiscal Decentralization

Law 26/2007 on Spatial Planning

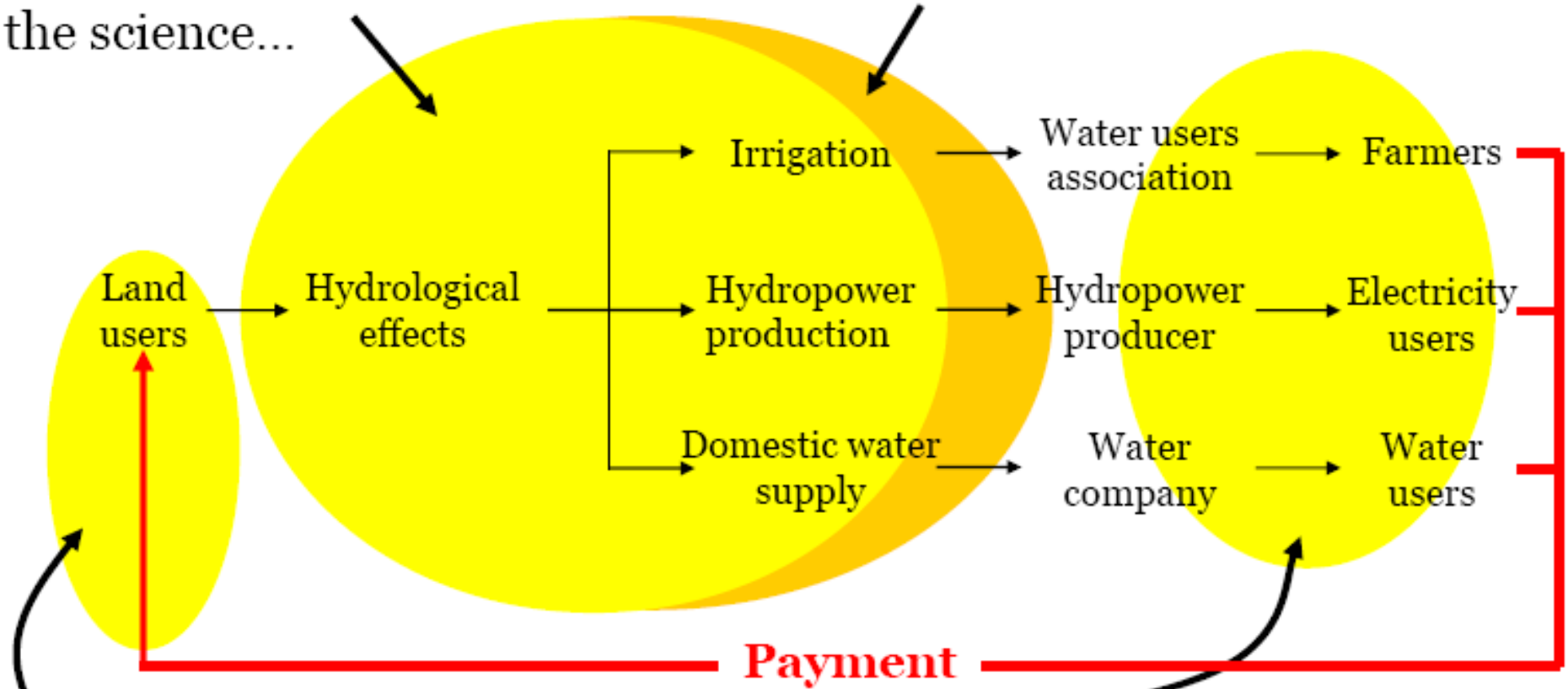
Law 28/2009 on Regional Tax and Retribution

Law 32/2009 on Protecting and Managing the Environment

From Theory to Practice (Pagiola, 2007)

1. Understanding the science...

... and the economics



2. Charging service users

3. Paying service providers

4. Establishing the institutional framework

Some PES Initiatives in Indonesia



Watershed Services in Sumber Jaya, Lampung Province

- Area: 55,000 hectare, about 40% is protection forest and 10% national park
- Density: 150 people/km². Forest cover declined: 60% in 1970 to 12% now
- Land tenure (CBFM), negotiation support systems as reward mechanisms
- Shade coffee, fruit trees as agroforestry system could protect the watershed



Providers: upland poor farmers practicing mixed agroforestry, obtained HKM rights recently
Beneficiaries: water-user, rice farmers living downstream, but also having parcels upstream

Biodiversity Protection Services in Bungo, Jambi Province

- Area: 456,000 ha, mostly flat (12% > 500 m), next to Kerinci-Seblat National Park
- Density: 50 people/km². "Jungle rubber" disappears. Threats: oil palm & coal-mining
- Rubber agroforest is huge reservoirs of biodiversity and traditional sources of income



Providers: Poor rubber farmers and share-tappers of rubber agroforestry ("jungle rubber")

Beneficiaries: national and global community (Environ. NGOs, business and donors)

Carbon Sequestration Services in Singkarak, West Sumatra

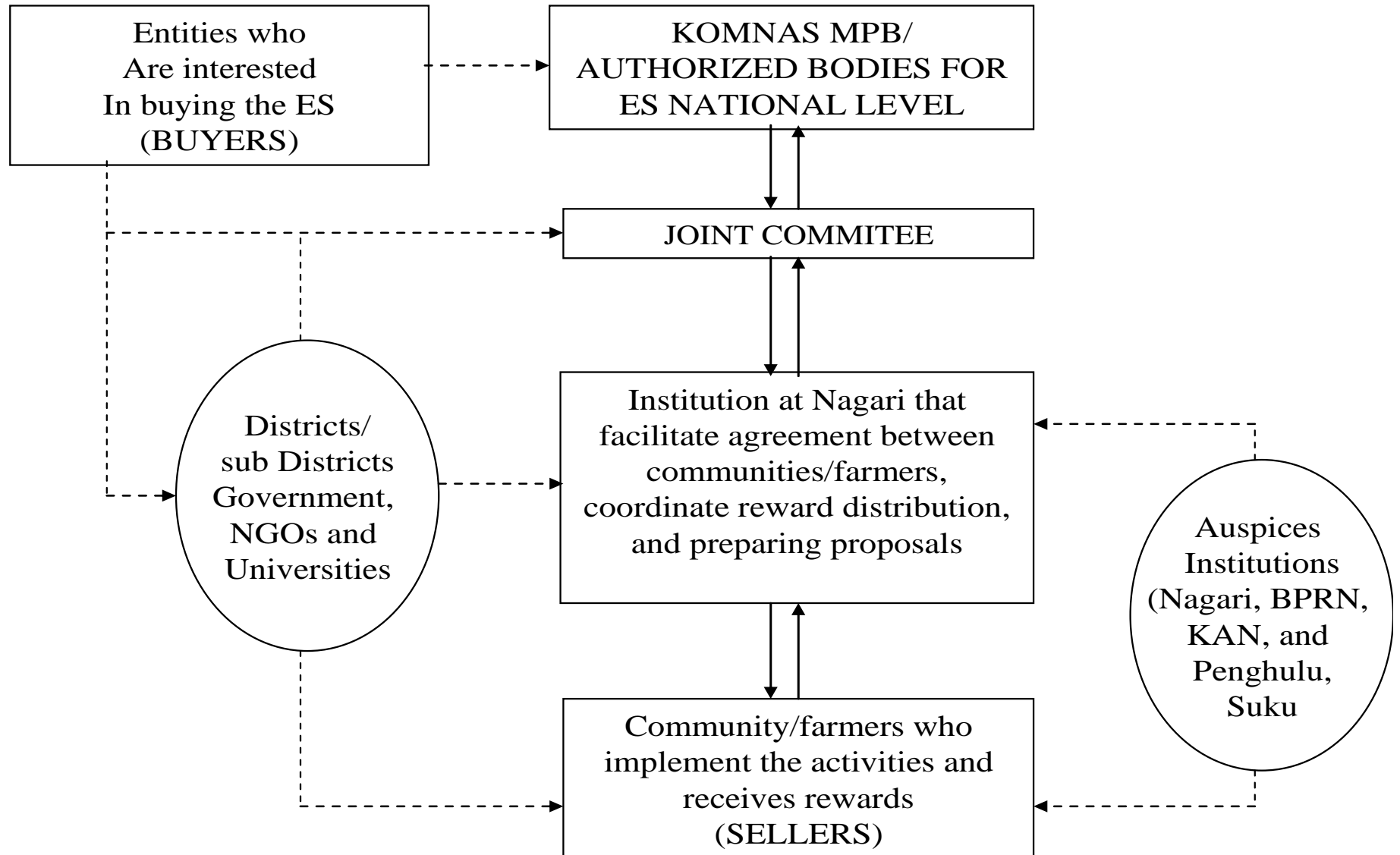
- Area: 58,500 ha, mostly the catchment of Lake Singkarak (160-m deep & 13,700 ha wide)
- Density: 205 people/km², poor land-use creates sedimentation and pollution on the lake
- Non-productive *imperata*-grass threatens the forest resources and people around the lake
- Reforestation programs since the 1980s might not sustain the hydrological balance
- Carbon sink services would be the logical consequences of watershed protection services



Providers: poor farmers, maintaining forestry services , practicing mixed agroforestry

Beneficiaries: national and global community (Environ. NGOs, business (HEP) and donors)

Mechanisms in Carbon Services, Singkarak



Mainstreaming: How to fill in the gaps?

Dialogue and information exchange between stakeholders

- **Government agencies:** incorporate in current policies, implement mandate to protect public ecosystems;
- **Individuals (including farmers):** ethics and growing concern on environment and eco-enterprise strategy;
- **Environmental NGO, international donor, trust fund** implement the environmental missions and interests.
- **Private companies (HEP, MNC):** improve public image, reputation, branding, raise quality of products, regulatory compliance, long-terms benefits, etc.

Closing: Options for Strategic Actions

- Transform on-going PES initiatives in “building bridge” and “adopt bridge building practices” to improve livelihoods and enhance environmental services.
- Continue academic research on economic valuation of more environmental services, develop criteria and indicators to negotiate sellers and buyers’ interests
- Revisit the legislation approach of the draft law on environmental services and connect with the tools of economic instruments currently developed at KLH.
- Combining the actions to implement the options above

Can we count on our new lawmakers?

