

## Decentralized governance poses enormous opportunities and challenges

Regional autonomy has diffused the authority and responsibility for environmental management to a large number of government entities in the regions. **This offers an opportunity to tackle local problems in a more accountable manner. However, this also presents an immediate challenge.**

The plight of natural resources and environmental quality are now dependent on local leadership, local institutional capacity and willingness to conform to national standards and regulations. The current picture across Indonesia is mixed, with some regions demonstrating astuteness with regard to sustainability, while others are opting for exploitation with short-term gains. Continued weak capacity, political will and law enforcement are contributing to economic losses, increased 'natural' disasters and delays in welfare improvements, including sanitation services and public health. As such, any growth spurts observed in the regions may prove unsustainable in the long-run.

## **Environmental governance at the local level remains inconsistent and weak**

Environmental management at the local level remains inconsistent. It tends to be effective primarily if and when the central government has created sufficient incentives to encourage conformity with national policies, or when local leadership is conscientious and forward-thinking.

**Challenges of environmental governance that existed prior to regional autonomy continue to persist.** These include weak institutions and law enforcement, overlapping licenses, conflicts between sectors, poorly maintained cadastral records, and environment's often weak position relative to other political and economic interests. **Since decentralization, these issues are compounded by additional challenges** pertaining to: the relationships between the central, provincial and district/municipal levels of government; unclear authority and jurisdiction; limited availability of funds for environment management; and weak representation of public demands or aspirations for environment quality or services. The complexity of the situation is reflected in continued degradation of natural resources and environmental quality since regional autonomy.

**Central to the issue is that district governments have little motivation and incentive for sustainable environmental management.** With inadequate enforcement from the center and inadequate financing to achieve environmental objectives at the local level, many provinces and districts are making new interpretations of existing rules, or else inventing entirely new regulatory procedures. While some of these innovations strengthen environmental controls, many relax them or bypass national standards entirely. Since the line of authority and accountability between central and local government has been disrupted, district governments wait for specific incentives in the form of budgetary support (such as the Special Allocation Fund). There are no formal standards for local government performance in environmental management. And **local governments still lack capacity to administer new functions and ensure**

## **that proposed reforms contribute to and deepen local level transparency and accountability.**

In such a weak administrative setting, demand for sustainability should, ideally, come from constituents at the local level. Local governments should respond to public's aspirations for expanded environmental services, a clean environment and well functioning ecosystems. Yet, in this arena, participation and voice from the public are also lacking. The Indonesian population shows concern for a number of environmental issues (such as water, sanitation and forests) but lack awareness of emerging issues (such as climate change, coastal and marine, clean energy, hazardous waste). Further, environmental values are not deeply embedded in the societal values and attitudes, leading to undervaluation of natural resources and environmental services. The institutions that should serve to bridge communication between the public and the government are, at best, in transition. Civil society organizations are challenged to reformulate their position vis-à-vis the state and other sectors in society, and improve their credibility and accountability. The legislature needs to develop a culture and effective mechanism to communicate with constituents regarding demand for environmental quality and services; religious institutions need to play a role in heightening environmental awareness and behavior among their followers; the media should increase the attention it pays to environmental issues, including decisions on development activities that are likely to adversely impact the environment and public welfare.

## **Signs of promise are evident in some local governments**

There are some promising developments in local environmental governance. Such initiatives should be supported and replicated. Examples include:

- **Political will:** Some governors, bupati and mayors have demonstrated considerable responsibility, political will and vision to promote good environmental practices. Examples are: a) the "Green Vision" by the Governor of Aceh, which

initiates logging moratorium and forest sector restructuring; b) peatland rehabilitation and carbon emission reduction efforts of the Governor of Central Kalimantan; c) forest management for sustainable local benefits by the Governor of Papua; and d) the Jembrana (Western Bali) district head's strong commitment to environment through regular and active use of EIAs.

- **Inter-agency collaboration:** Some regions have initiated inter-jurisdictional collaboration to address transboundary environmental issues. Examples are the Brantas River Basin Management in East Java, the Balikpapan Bay Management Authority, the Ciliwung River Basin Plan, and the Greater Jakarta Coordination Board for solid waste management.
- **Reputational programs:** Reputational programs act as a bridge between national government and local governments, and serve as national motivators. Adipura, Prokasih and PROPER are creative voluntary programs initiated by the Ministry of Environment to encourage participation of local actors and reward compliance with national standards and goals.

### ACCESS TO INFORMATION AND DECISION-MAKING IS PART OF GOOD GOVERNANCE

Good environmental governance requires the application of principles of transparency, participation and accountability in environmental planning and decision-making. Prerequisites include:

- Access to information – every person has the right to access full, accurate and up-to-date information about the environment;
- Access to participation in decision-making – this includes access to participation in making decisions in the policy and programs, legislative process, and specific subject matters; and
- Access to justice – the existence of a mechanism by which members of the public can directly uphold environmental law should their rights (to information, participation and/or enjoyment of a healthy environment) be infringed.

- **Green community empowerment program:** Grants for renewable energy and natural resource management for a community-driven development program (PNPM) have proven successful in Sulawesi, and are now being expanded to Sumatra and Papua. A similar program is under development for urban neighborhoods through the part of PNPM managed by the Ministry of Public Works.
- **Spatial Planning:** Island-wide spatial planning and strategic environmental assessments are among new tools being developed and applied in various locations.

### Towards stronger environmental governance

**Improved environmental governance in a decentralized setting will depend on a number of breakthroughs.** Major policy changes with regard to authority and fiscal regime may be needed to drive good environmental governance. This includes:

- **Environmental management based on geography.** Water resource management should follow watersheds, rather than administrative boundaries. Management of special ecosystems (such as within national parks) should also transcend provincial and district level administrations. Expected impact: joint responsibilities become clear, mechanisms for inter-agency and inter-regional cooperation are built-in and established.
- **Environmental fiscal reform,** which allows income from taxes to be earmarked for specific environmental tasks and activities, provides incentives to change behavior, accounts for external environmental costs, enhances resource conservation and improves revenue collection mechanisms, more appropriate environmental taxing policy, which is based on poor environmental performance of companies. Expected impact: real growth can be measured, environmental protection and rehabilitation can be financed and businesses feel the financial effect of their environmental behavior.



- **New incentives and other financial schemes** that push local governments towards a more sustainable development program, including more flexible financing options, such as the Special Allocation Fund and BLU, i.e. long-range financing facilities that encourage and allow local governments to plan for medium-term and long-term funding, rather than the current restrictive annual funding cycles. Expected impact: phased development or expansion of environmental services can be planned and financed, and conservation is not considered a financial burden to the local government budget.

**Good environmental governance also requires each stakeholder to fully understand their respective roles and execute their contributions to environmental management.** Further effort is needed to:

- **Clarify the roles and responsibilities** between central, provincial and local governments, with requisite systems in place to ensure environmental policies and strategies are implemented.

#### **A MORE SUSTAINABLE INDONESIA is one where:**

- The costs of environmental degradation and climate change are lowered so that less wealth is diverted from growth;
- Good environmental management contributes to poverty alleviation by reducing impacts on the poor and better sharing of benefits;
- Renewable resources are used sustainably while non-renewable ones are wisely developed for investment in human and physical capital; and
- Citizens are aware of and participating in environmental issues directly or through their representatives and other organizations.

- **Strengthen the role** of media, legislature, religious institutions, NGOs in communicating with the public to raise awareness, but also to understand the public's needs, demands and aspirations.
- **Expand public access** to environmental information, participation and justice, including clarifying and improving enforceability with regard to the fulfillment and upholding of these rights to information, participation and justice.

Expected impact: Citizens take individual action to address environmental issues, and can form constituencies for improved efforts at the political and local government level. Decision-makers, both in the executive and legislative branches, become knowledgeable of and consider the needs, demands and aspirations of the public; and feel the pressure from NGOs and media if they fail to address them.

#### **Background information on CEA Report**

The Country Environmental Analysis (CEA) report highlights underlying challenges to Indonesia's environment and management of its natural resources. The initial purpose in preparing the report was to guide World Bank support to Indonesian institutions for more sustainable development. However, the report also provides information that may contribute to the Government's medium term development plans under the policies of the new administration.

