



National Workshop

Initial Findings

National and local government institutions' capacity for just transition planning around coal in Indonesia

Thursday, 26 October 2023



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Background

Coal contributes significantly to Indonesia's economy

Nationally : biggest export commodity, contributing up to USD 28.4 billion of national income ([OEC. 2021](#)).

Locally : gross regional domestic products, local government revenue through taxes & royalties, and local employment (i.e coal contribute to 70% GRDP, 29.8% from revenue sharing mining royalty, and the creation of informal sectors in Paser Regency ([IESR. 2023](#)).

Coal Demand for Indonesia is expected to decline

As most of our coal is being exported, and countries around the globe are set to reduce their coal along with the raising commitment against climate change

May cause **imbalances**, especially for coal producing regions in Indonesia

Energy Transition

Is a complex process because building blocks to energy transition is not technical, but rather political and institutional

Inclusive planning process is crucial

Background

This inclusive planning process will need **certain capacities** from the responsible government institutions, especially when multilevel governance is involved ([Engelbert et al., 2019](#); [Lazaro et al., 2022](#)).

Preliminary observations indicate that many government institutions, especially at the local level, **are not aware** of the changing energy landscape and its implications for their administrative regions

This research aim to understand government capacity in just transition planning around coal producing areas in Indonesia, through identifying:

- **Roles** of national and local governments in energy and development planning
- **Gaps in understanding** (conceptual and technical) of just energy transition among national and local government officials
- **Planning strategies and planning processes** of national and local government institutions in energy and development planning
- **Capacity gaps of government** for energy and development planning for just transition

Research Scope

National Government

Subnational/ Provincial and Local Government

- **National government:**
 - Ministry of National Development Planning (Bappenas)
 - Ministry of Investment (BKPM)
 - Ministry of Energy and Mineral Resources (ESDM)
 - Ministry of Women Empowerment (PPPA)
 - Ministry of Finance
- **Subnational/provincial and local government:**
 - Agency of Energy and Mineral Resources (DESDM)
 - Regional Development Planning (Bappeda)

- Provincial government (coal producing and CFPP regions); including the *development planning and energy agencies* of:
 - South Kalimantan
 - Central Kalimantan
 - North Kalimantan
 - Jambi
 - East Kalimantan
 - South Sumatera
- Local government (*development planning agency* of coal producing and CFPP regions) are the following:
 - Sukabumi
 - Kutai Timur
 - Lahat
 - Cilegon
 - Berau
 - Kutai Kartanegara
 - Serang
 - Bontang
 - Tabalong

Methods

Quantitative

- **Questionnaire**
 - 2 sets of questionnaires (for each national and local government levels)
 - Almost identical, but adjusted for each government level context
 - Self-assessment questionnaire: scored *directly* and *indirectly* (inferred with specific criteria of each question)
 - Likert scale 1 (highly disagree) - 5 (highly agree) = **very limiting - very supporting** to Just Transition planning
- Number of respondents (*one agency or ministry might send more than one responses from different work units*):
 - National government:
14 respondents of 5 ministries
 - Provincial government:
17 respondents of 6 provinces
 - Local government:
8 respondents of 7 local areas

Qualitative

- **Focus group discussion**
 - 3 Sessions (1 for each government levels)
 - 2 breakout groups in each session
 - National and local: random allocation
 - Provincial: 1) DESDM and 2) Bappeda
 - 7-10 participants in each group
 - 2 - 3 hours per session
- **Literature review**
 - Develop Dimension, Capacity and Indicators required for a good Just Transition planning

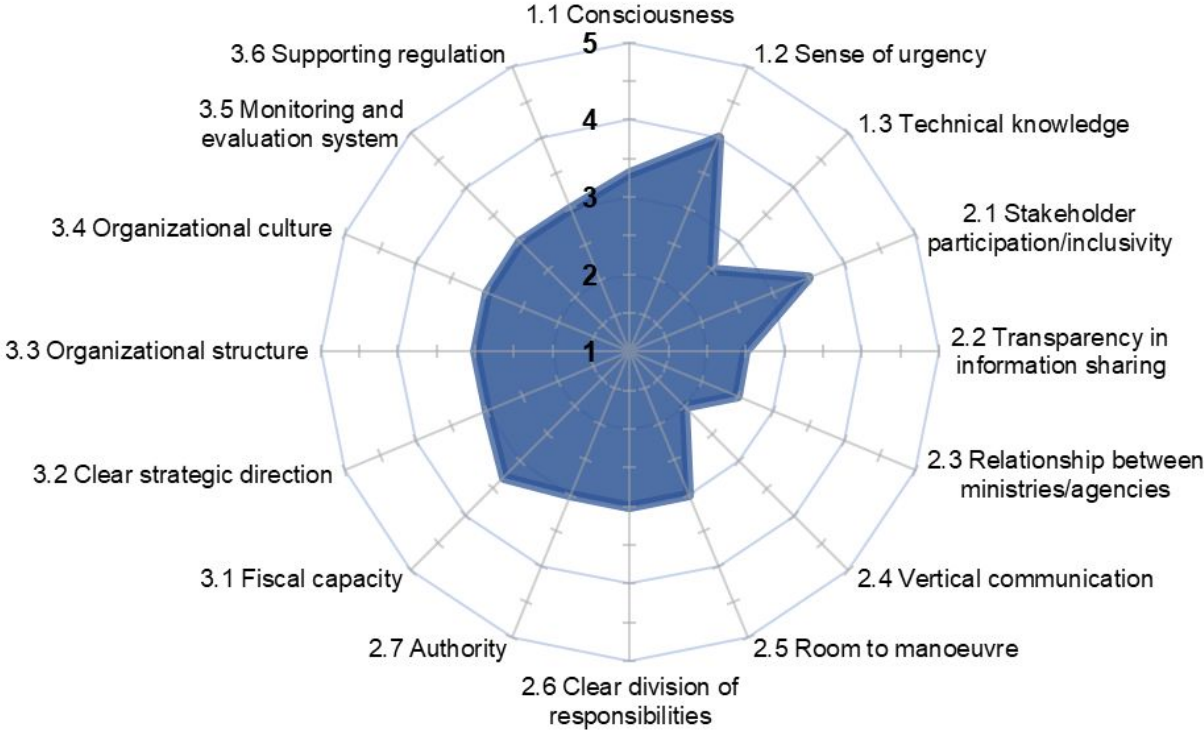
Ideal Capacity for Just Transition (Adapted from Koop et al., 2017)

Dimension	Capacity	Indicators
Knowledge	Awareness	Consciousness
		Sense of urgency
	Useful knowledge	Technical knowledge
Intention to participate	Stakeholder engagement	Stakeholder participation/inclusivity
	Communication	Transparency in information sharing
		Relationship between ministries/agencies
	Multilevel network potential	Vertical communication
		Room to maneuver
Clear division of responsibilities		
	Authority	
Action	Financial	Fiscal capacity
	Instrument	Clear strategic direction
		Organizational structure
		Organizational culture
		Monitoring and evaluation system
	Implementing capacity	Supporting regulations
Local Government Readiness*		

Current condition of Indonesian government in just transition planning

National Government: Questionnaire-based result

National Government Capacity in Just Transition



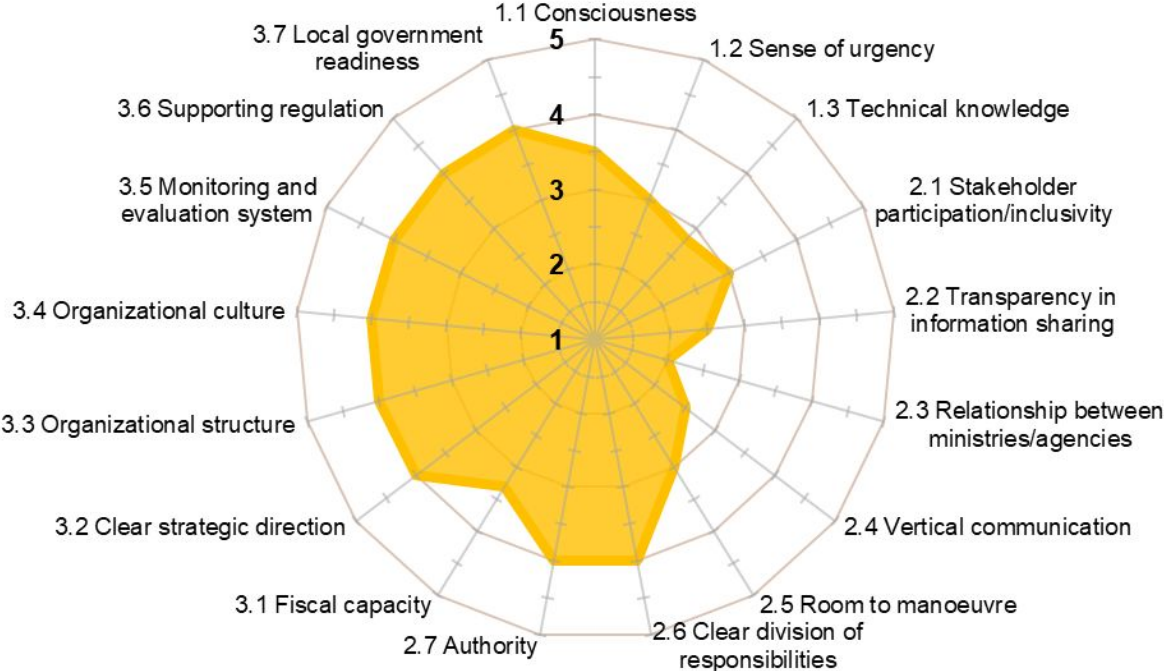
The national government's weakest point in terms of capacity is its ability to communicate with local governments, while its greatest strength lies in its sense of urgency. Other capacity indicators fall within a moderate range, scoring between 2 and 3 out of 5. Many areas, including implementation capacity, still need to be strengthened.

Source: IESR Analysis, 2023

Current condition of Indonesian government in just transition planning

Provincial and Local Government : Questionnaire-based result

Provincial and Local Government Capacity in Just Transition



Provincial and local government has the highest score in almost all indicators of capacity for implementation/action, while the relationship between agencies has the lowest score. Provincial and local government exhibit limited expertise and intention to participate, yet they possess a higher ability to carry out actions.

Source: IESR Analysis, 2023

Current condition of Indonesian government in just transition planning

Limiting and supporting factors (FGD-based result)

National government

Supporting

- There are **various progress** on roles, knowledge development, clear division/responsibility in each institution
- **Incentives are in place for renewable energy** investment i.e. tax holiday
- Ministry of Finance have department specifically for climate change financing

Limiting

- Repetitive training due to **quick manpower mutation**
- **Coal (and CFPF) is still regarded as affordable** and reliable energy source to support national development
- **Bureaucratic red-tape restricts vertical knowledge/data sharing** between ministry and local agency
- **PLN's willingness** to transition is still need to be improved
- Regulatory overlap with subnational/local regulations

Key takeaways: The biggest limiting dimension to just energy transition planning is the Knowledge dimension; Intention to Participate dimension also show that typical lengthy bureaucracy procedures are still becoming a big barrier

Subnational and local government

Supporting

- Awareness to transition is **start springing**
- Have **worked with national government** on RE projects
- Localized initiatives are started to take place, some local government has collaboration projects with various **international organizations**, and and innovative financing schemes are also being set in motion.

Limiting

- **Limited technical capacity** in transition planning
- **Low public awareness** and low education level
- Quick manpower mutation with **no transfer knowledge**
- **Limited authority** for subnational and local government, related to coal
- **Limited access to finance** - most of their budgets are spent on operational activities (wages etc)
- Lack of infrastructure to support development in general

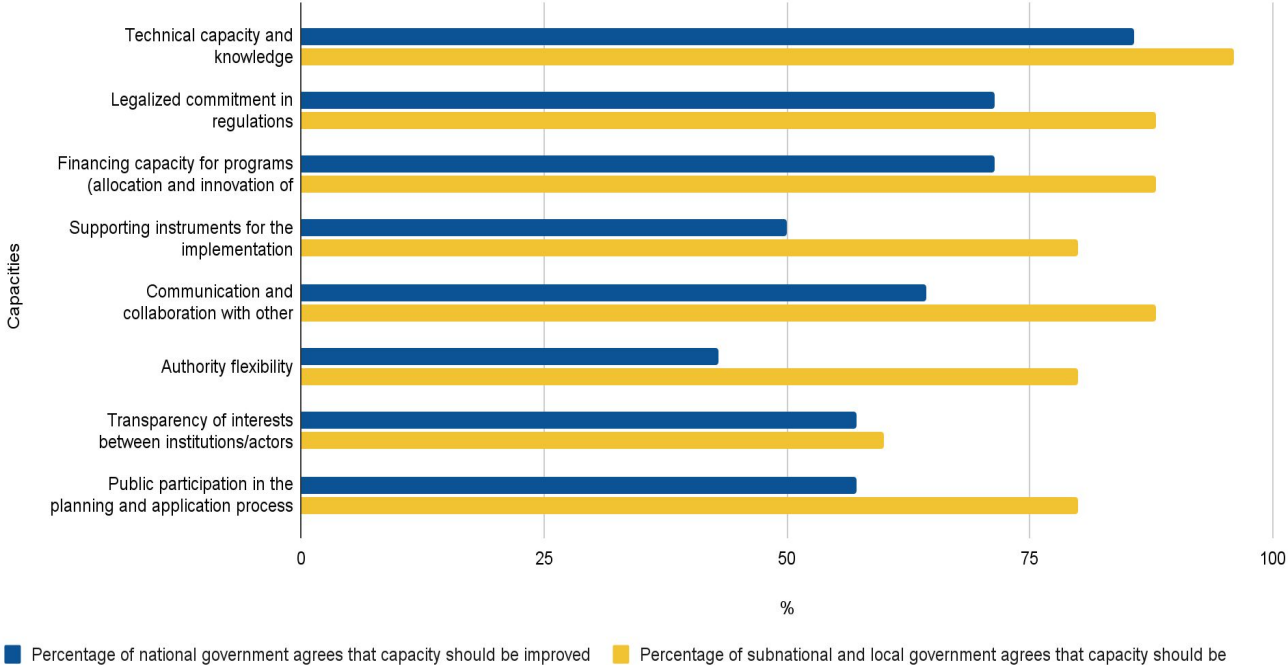
Key takeaways: The biggest limiting factor is authority and access to financing actions/programs

The need of capacity improvement

Key challenges/gaps

- ❑ Quick manpower mutation limiting sharing information
- ❑ Awareness about coal impact and economic development need to be improved
- ❑ Bureaucratic proceeding is an obstacle in multilevel communication

The Need of Capacity Improvement from Governments Perspective



Source: IESR Analysis, 2023

Preliminary recommendation on how to close the gap

National government

- Changing awareness regarding coal starts with **shifting away from coal-based economy paradigm**
- Improve PLN's role and willingness by **increasing renewables' competitiveness**
- **Utilizing and institutionalizing nonstate actors' involvement** to improve information-sharing mechanism

Subnational and local government

- **Institutionalizing PerPres 11/2023** for Provincial Government in medium-term and long-term planning to solve lack of funding and legal basis
- Intersectoral spatial development planning to **diversify economic sectors by utilizing the new capital city (IKN)**

Next research plan

- Take input from this National Workshop
- Finalize the capacity gap analysis, both with quantitative and qualitative data
- Develop more detailed recommendations to address and solve the capacity gap





More Information

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