

G20, Indonesia and the Quest for Parameters of Sustainable Infrastructure

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The Group of Twenty (G20) is an international economic forum that brings together governments (head of governments, finance ministers) and central bank governors from twenty major economies accounting for 66% of world population. Indonesia has been an active member of G20 since the forum's inception in 1999. After the ministerial forum was upgraded to be a leader forum in 2008, Indonesian Presidents never missed the summits. Despite their tight domestic affairs schedules, both former President Susilo Bambang Yudhoyono and the current President Joko Widodo have been in regular attendance at all summit meetings. Indonesia's representatives have been actively involved in high-profile collaboration through their interventions at different levels of the G20 meetings so that they could accelerate the advancement of all emerging economies by promoting strong economic growth and the establishment of resilient economies. Apart from promoting its own national interests, Indonesia claims itself as a representative of developing countries and has, thus, pledged its commitment to advocating for the development agenda as a priority in the G20 process.



Joko Widodo and Angela Merkel with G20 Background.
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Under President Joko Widodo, Indonesia has more significant reasons to intensify its participation at the premier forum for global economic cooperation. President Joko Widodo is indeed a pragmatic leader and is highly selective about the choice of which summits he attends; a behavior which is different to his immediate predecessor who, in his own right, had made various attempts to attend as many summits as possible. In Joko Widodo's view, his presences at G20 summits are imperative to securing tangible benefits for Indonesia, particularly in support of national development. He would often appoint his vice president to represent him at other summits, which could deliver less concrete results. G20 and the Association of Southeast Asia Nations (ASEAN) Summits have been on his shortlist and, since his inauguration as President, has never failed to attend a G20 summit. This reflects his forward-thinking perspective on these matters and his awareness of the critical importance of the ASEAN and G20 as strategic platforms for the achievement of his national vision.

Importance of G20 for Indonesia

For Joko Widodo, G20 has special strategic importance. This forum has prioritized trade, investment and infrastructure on the agenda, which is clearly in line with his ambition to achieve a strong economic growth rate of 7 per cent in Indonesia. G20's perspective on the significance of the infrastructure for economic growth has provided him with strong justification to pursue a domestic agenda in order to accelerate the national infrastructure development.



An Excavator on an Infrastructure Project in West Java.
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Compared to other international fora, G20 has particular strengths as it brings together, at the same negotiating table, leaders of the G7 countries, new developed countries (which are not G7 members), and a few emerging markets, along with representatives of the European Union. G20 members collectively control the global market, trade and investment and this constitutes a substantial reason for the former governor of Jakarta not to miss the highly strategic forum. A close aide to the President once said that attending the G20 meeting would achieve economies of scale as it would allow the President to meet twenty leaders of major and emerging powers in only one visit. It confirms the famous Indonesian proverb in diplomatic affairs: "*sekali mendayung, dua tiga*

pulau terlampau”, meaning “with one stroke of the paddle, two or three islands have been passed by” or to coin the phrase “killing 20 birds with one stone”.

It is under Joko Widodo’s administration that Indonesia has adopted a “blueprint” as the main reference for Indonesian delegates to participate at different levels at G20 meetings. This blueprint embodies Indonesia’s national interests, objectives and priorities for G20. It highlights strategies to carry out the constitutional mandate; namely, to contribute to the establishment of a just and fair global order. The blueprint also informs strategies in which Indonesia should implement its commitment to the G20 at the national level. [i]

One of G20’s highly important agenda items which has attracted President Joko Widodo’s attention is infrastructure development; an issue which, firstly, became the concern of the Development Working Group in 2010. As a consequence, it gained serious support from the Finance Track. The argument for placing ‘infrastructure’ at the top of the priority list is clear-cut: the lack of infrastructure is one of the most significant bottlenecks to inclusive, sustainable and resilient growth in developing countries, and particularly in low-income countries (LICs). Infrastructure development is seen as a concrete measure to make “a tangible and significant difference in people’s lives”. Investment in infrastructure is, thus, highly critical in addressing the obstacles to economic growth, poverty reduction and job creation. [ii]

Unfortunately, developing countries do not have sufficient financial resources to fund infrastructure development. The discussion in the G20 process has been primarily focused on core bottlenecks to the infrastructure development projects, such as the lack of financing. G20 has spent its energy addressing four major issues: (1) ways in which the existing Multilateral Development Banks (MDBs) can help to resolve the lack of financing in infrastructure; (2) scaling up and diversify sources of financing for infrastructure; (3) ways in which developing countries can mobilize their potential domestic resources such as taxation and remittance; and, (4) ways in which the G20 can encourage the right conditions to attract private sector investment in developing countries.

Indonesia has been actively involved in the negotiation on infrastructure development and financing in both the Sherpa and Finance Tracks since the inclusion of the infrastructure agenda in the G20 process. Indonesian delegates advocated infrastructure development as a high priority area in the G20 through their intervention at the G20’s finance track under the Mexican presidency in 2012. Indonesia then co-chaired the Study Group Financing for Investment with Germany in 2013 with the goal to identify key factors that affected infrastructure financing and to find possible solutions to improve investment for infrastructure. One of the Study Group meetings was held on the island of Bali where the group agreed on priorities of the work focus areas. [iii]

In response to the Study Group’s report, the G20 had agreed to set up the Investment and Infrastructure Working Group (IIWG) whose main responsibility was to further explore various sources of finance for infrastructure development. Indonesia, subsequently, played a co-chairmanship role with Germany and Mexico at the IIWG in 2015 and 2016. The working group was assigned to explore various financing approaches and foster private financing for infrastructure, to promote global infrastructure connectivity and to encourage MDBs to take joint action for advancing infrastructure investment. Indonesia proudly hosted the third meeting of the IIWG under Chinese Presidency in June 2016 in Bali where consensus was finally reached on the draft of the deliverable document of the three pillars of the IIWG agenda. [iv]

President Joko Widodo has welcomed the G20’s infrastructure agenda with great enthusiasm since infrastructure development is completely aligned to the top priority of his national development planning. This agenda is stated clearly in the National Medium Term Development Plan of 2015-2019 (RPJMN 2015-2019) which lists its ambitious plans to develop national infrastructures; including a total of 2,650 km new national roads, a total 1,000 km of toll roads, a 35,000 Mega Watt electricity generators, 15 new airports, and a total of 3,258 km railways (RPJMN 2015-2019). [v] Indonesia believes that enhanced growth will not occur if the infrastructure remains underdeveloped.

Immediately after his inauguration as President in October 2016, President Joko Widodo introduced a policy to accelerate the pace of massive infrastructure development, and was supported by all relevant ministries. To accomplish the achievement of these ambitious goals, the President established a new infrastructure prioritizing body, the Committee for Acceleration of Priority Infrastructure Delivery (KPPPI), to boost investment and economic growth. The committee functions as a coordinating unit, responsible for making decisions to address the ineffectiveness of the existing coordination of various stakeholders and to solve various bottlenecks of the national strategic infrastructure projects. [vi]

Two years after taking office, President Joko Widodo proudly announced his achievement in building infrastructure, including the development of 2,225 km of national roads, 132-km of toll roads, and 160 bridges with a total of 16,246 km in length. Also on the list of achievements were the construction of a 179.33 km-long

railway. In his speech delivered to the Indonesian parliament in August 2016, the President further demonstrated his commitment to pursuing infrastructure development during his term. [vii]

The 2030 Agenda for Sustainable Development

A serious concern that emerges out of the Indonesian experience is the over-emphasis on infrastructure development, a direct reflection of the approach of the G20 by placing infrastructure as their top agenda priority. The G20 suggests that the lack of funding is the most difficult challenge for infrastructure development and has actively pursued different avenues to scale up and diversify sources of funding. With so much focus on the financing of infrastructure development, the G20 has focused its efforts less on the main objective of aligning the infrastructure development agenda to that of sustainable development. The document of the G20 Action Plan, as emulated in the 2030 Agenda for Sustainable Development, show that the G20 does not have a clear definition or framework for sustainable infrastructure. [viii]



Woman waiting for a ride on a Toll Road. Creator: Yulius Purwadi Hermawan. [\(cc\) BY-ND](#) This image is licensed under [Creative Commons License](#).

The Indonesian government considers these challenges from a similar vantage point. Firstly, Indonesia recognizes that infrastructure development continues to be lacking and this problem has engendered a large multiplier effect on the Indonesian economy and the Indonesian global competitiveness rank. The lack of infrastructure creates bottlenecks and high costs of transportation and logistics and, therefore, has hampered Indonesia's once robust economic growth. Secondly, Indonesia acknowledges that the most difficult challenge for building infrastructure is the lack of financial resources. It is estimated that Indonesia needs as much as US\$ 500 billion to finance infrastructure development projects to meet its targets from 2015 to 2019. Unfortunately, the government is only able to provide as much as 30% of the total funding from its annual state budget and expenditure. The government must, accordingly, rely on private investment. In 2015, total investment reached US\$ 75 billion, consisting of US\$ 23 billion of government budget, and US\$ 52 billion of private investment. To address the lack of infrastructure financing, the government has reformed regulations to establish the legal certainty of investment. The government further introduced a series of economic policy packages to provide a legal guarantee and to facilitate investment in infrastructure. [ix]

However, the overemphasis on financial solutions has failed to take into the worst implication of the accelerated infrastructure development for the environment and social dimensions of sustainable development.

G20 and the Indonesian government appear to have disregarded the importance of the environmental and social issues involved. In Indonesia, the regulation clearly requires an evidence-base of the environmental and social impact of every infrastructure development project. However, the government has exploited the prioritization of infrastructure development to leave aside any obstacle that hinders the acceleration of the infrastructure development. The government has, for instance, shortened the duration of the systematic and proper assessment of the environmental and social impacts from 219 days to 59 days, along with other procedures, so that the execution of the plan could begin as early as possible. The Ministry of National Planning Development facilitated the process to ensure that none of the procedures would take too much time. It seems that feasibility of the projects has been measured more by the availability of funding, location of the project and timeline rather than by the important indicators of sustainability measured by environmental and social dimension impacts.

Thus, it becomes clear that the challenges for accelerated infrastructure development do not simply concern the lack of funding and the need for regulations to boost private investment. Rather, the overall approach should be consistent with the leadership's respect for environmental and social issues.

President Joko Widodo is not oblivious to the sustainable development issue. In his speech delivered at the G20 Summit in Hangzhou, he explicitly expressed his commitment to the implementation of the 2030 Agenda at the national level and called other leaders who had not initiated the implementation to follow the Indonesian path. Indonesian government has apparently been very serious to prepare for the implementation of the Agenda at national level. The concern is, however, to what extent the G20 leaders have adopted parameters of social and environmental sustainability in promoting the acceleration of infrastructure development. This issue has not sufficiently been addressed by the G20.

What should be done?

G20, under German chairmanship, must ensure that the sustainability parameters become reference points for any negotiations on infrastructure development. The German Presidency must learn how China has broken the G20's old traditional practices on focusing simply on short-term goals; that is, to achieve a certain rate of economic growth within two to three years. China has set milestones for the G20, to be pursued in both the mid and long-term period. The G20 now has a plan of action on the 2030 Agenda and it is the responsibility of the following presidencies, including Germany, to lead the Forum towards a more sustainable world.



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To do the job properly, German's presidency must, firstly, convince all leaders of the G20, particularly those from advanced economies, that the G20's sustainable development agenda is not simply a package of Christmas decorations. There must be coherence between G20's work on infrastructure development and the sustainable development agenda. Synergy among the different working groups which deal with the infrastructure issue is urgently needed and there must be a more consistent and integrative approach to the issue of a sustainable infrastructure. The first step to take is, of course, to build a framework for sustainability in infrastructure development. It should be urgent to make the G20 Action Plan on the 2030 Agenda for Sustainable Development become more concrete and workable to ensure synergies among G20 work streams.^[x]

The G20 leaders have been adopting the principle of prudence whenever they introduced economic policies as these policies may impact negatively on the economies of other states. All G20 leaders must adopt similar prudential policies in accelerating their infrastructure development for more or less similar reasons. The impact of accelerated infrastructure development could be much worse than the effect of introducing systemic fiscal policies by some developed and emerging economies. It could lead to the destruction of the environment, which could escalate further to global catastrophe. The world needs to be more mindful that the environment's destruction can be much more terrifying than the impact of the global financial crisis.

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[viii] See "G20 Action Plan on the 2030 Agenda for Sustainable Development" particularly pp. 4-5. See also studies on the OECD recommendation on infrastructure by Motoko Aizawa and Waleria Schuele. *In Search of Policy Coherence: Aligning OECD Infrastructure Advice With Sustainable Development*. Henrich Boll Stiftung and Institute for Human Rights and Business. <https://eu.boell.org/sites/default/files/oced-3.pdf>

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