



September 2021

Dear Members of the Indonesia network,

We are pleased to present you the new Country Update for Indonesia. The situation in Indonesia with respect to Covid remains precarious, yet recent developments have been encouraging. We extend our best wishes to all those affected. Fortunately, projects continue to the extent possible and promising discussions are taking place with existing and new partners to further elevate bilateral cooperation.

In this Update we look back and share the main findings from both the recent Platform Meeting in July, a data analysis on land subsidence in Pekalongan (North Coast Central Java), and an overview of the North Sumatra Trade Mission virtual focus session on Agriculture and Water for Food (26 August). Finally, we share an update on the Covid situation in Indonesia and the prospects and outlook for business travel.

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1. Looking back on the Indonesia Platform Meeting

NWP held an online Indonesia Platform Meeting for the Dutch Water Sector on 8 July. The meeting was split into a plenary session and breakouts. During the plenary, the Delta Coordinator for Indonesia, Ms Patricia Grollé, and the Delegated Representative Water Indonesia, Mr Rien Dam, set the scene by sharing the current status and ambition for bilateral cooperation on water, and presenting the plans and opportunities for the Dutch Water Sector, specifically in relation to two focus themes in the new Memorandum of Understanding (MoU) with Indonesia. These themes, Resilient Cities and Lowland Development/Water for Food, were the focus of the parallel breakout sessions. The result was two lively discussions in which participants responded to and gave their input on the plans and goals and how these relate to their own activities in Indonesia. They also discussed the opportunities they saw.

A few key messages regarding bilateral cooperation and the plans and opportunities in relation to the two themes are outlined below.

On the bilateral cooperation and goals in the coming years.

- Indonesia's changed status to a middle-income country means the end of the bilateral development cooperation budget. It puts the relationship between the Netherlands and Indonesia on a more equal footing, and is expected to lead to a more balanced partnership and exchange of know-how.
- The growing interest for and focus on climate adaptation in addition to water security and water safety offers greater opportunities to strengthen the relationship and cooperation in the fields of water security and water safety.
- The new MoU aims to move away from project-based to more strategic cooperation – this will also require a broadening of the financing base.
- In addition to the continuation of support for Dutch Water Sector business opportunities, emphasis will be placed on institutional strengthening, the exchange of know-how and capacity development.
- This includes creating the necessary and favourable preconditions at central level (mainly through Indonesia's Ministry of Public Works and Housing) for the more practical and technical work carried out at regional level (in Central and East Java for instance) with regional and local partners.
- Indonesia will continue to be a Delta country in the Partners for Water 5 Programme (2022-2027).

On plans and opportunities for Resilient Cities and Lowland Development/Water for Food.

- A number of projects are currently under preparation and are expected to be implemented in Semarang and Pekalongan (Central Java) towards the end of the year. Their focus is on: land subsidence, resilient city development, and urban drainage systems.
- All the above projects fall within the context of the Government's Northern Coastal Development Plan (Pantura) in Java that will create new opportunities with international funding.
- A relatively new and successful bilateral cooperation also started last year in East Java province. Capacity building and student activities have already taken place and the results are being fed into the formation of a Master Plan for the Welang River. Projects related to water-related infrastructure and regional planning support are expected to follow.
- Lowland Development/Water for Food is a relatively new topic in the bilateral cooperation and grew from Indonesia's aim to improve food security through turning vast lowland areas into food/agricultural production. Two focus provinces are Central Kalimantan and North Sumatra. Developments are still at an early stage, but opportunities are expected in consultancy and studies related to water management for agriculture. Participants will of course be informed of the various opportunities in the two themes once these are more concrete.

The breakout sessions gave participants a chance to join the conversation and share their thoughts on the plans and opportunities on the table.

In the **Lowland Development/Water for Food** session, Huub Hengsdijk of Wageningen University and Research's (WUR) shared WUR's experience with and understanding of the Food Estate development plans which present interesting potential opportunities for Dutch agritech and water companies. Linked to this is the upcoming Trade Mission to North Sumatra in autumn this year (a focus session on Water for Food took place on 26 August. See chapter 3 for details). The Global Green Growth Institute (GGGI) works closely with the Government of Indonesia on green growth, sustainable landscapes, special economic zones and renewable energy, and also helps mobilise funding. GGGI's Indonesia Country Representative, Marcel Silvius, mentioned that GGGI is looking for partners and additional capacity to assess the design of these activities. In terms of finance, Nienke Uil of the Dutch Entrepreneurial Development Bank (FMO) mentioned that there are project development funds available at FMO for companies wishing to invest in Indonesia or for their clients interested in Dutch technology but who first wish to carry out a feasibility study or pilot. The Dutch Fund for Climate and Development (DFCD) was also mentioned but neither FMO nor DFCD have an extensive portfolio in Indonesia at present. They are, however, interested in supporting future investment decisions. Alexander Hoff of Nelen & Schuurmans shared its work on building digital information services for water and agri in Indonesia with the Netherlands Space Office (NSO) under the Geodata for Agriculture and Water (G4AW) programme. Hoff expressed an interest in exploring how the technologies it has developed could support the Food Estate programmes. NWP also briefly outlined its new Water for Food Programme which supports high potential business cases in the water for food nexus. Important elements include an integrated approach, scalability, financial viability, Dutch water technology and benefitting local users. A call for proposals will be launched mid-September and the successful proposals will receive seed money to develop their business cases.

In the **Resilient Cities** session moderated by Sandra Schoof, Programme Manager of the Water as Leverage programme, the discussion centred on: the need for different ways of financing and financing schemes (for instance from FMO, commercial finance etc.); and the need for good coordination among different Ministries. The latter is also important in terms of funding – the Asia Development Bank (ADB) has funds available for larger projects, but the problem is central coordination. There are funding opportunities for Semarang and Welang in relation to a large Flood Resilience programme launched by the World Bank and Bappenas in 40 cities. Blue Deal, Wetlands International, Nuffic Neso and Sweco also expressed interest in exchanging ideas on opportunities with others as well as aligning their activities with other programmes. The Welang case was seen as a good example of multi-dimensional water issues, committed partners, rapid urbanisation and the integrated approach.

2. A new InSar land subsidence data set for Pekalongan, Demak and Semarang

Large parts of the coastal zone of Central Java, as in the Netherlands, are built up of soft soils. These soft soils consist mainly of unconsolidated nearshore marine and river deposits with the result that these soils retain a lot of water. With dehydration and loading, these soils are very susceptible to land subsidence. The combination of these locations often being just above sea level with rising sea levels makes these areas very vulnerable to more severe flooding, both from the sea, as well as from high river discharge in the rainy season.

Netherlands-based remote sensing and geospatial analytics company Sensor (www.sensar.nl) received a subsidy from the Fund for Knowledge Mobilisation (KFJ) in March this year to map land subsidence (“LS”) over the past six years (2015-2021, more than 150 measurements) for Demak, Semarang and Pekalongan regions using satellite data from the Copernicus programme. The results show extremely severe subsidence (>10 centimetres per year) in many locations. In some locations in Semarang and Pekalongan, this even exceeded 15 centimetres per year over the measured period. These coastal locations are currently at or near sea level, and further land subsidence will mean that the land will sink below sea level in the foreseeable future. This has serious implications for water management. Satellite data makes it possible to take high-frequency and high-resolution measurements and observe changes quickly.

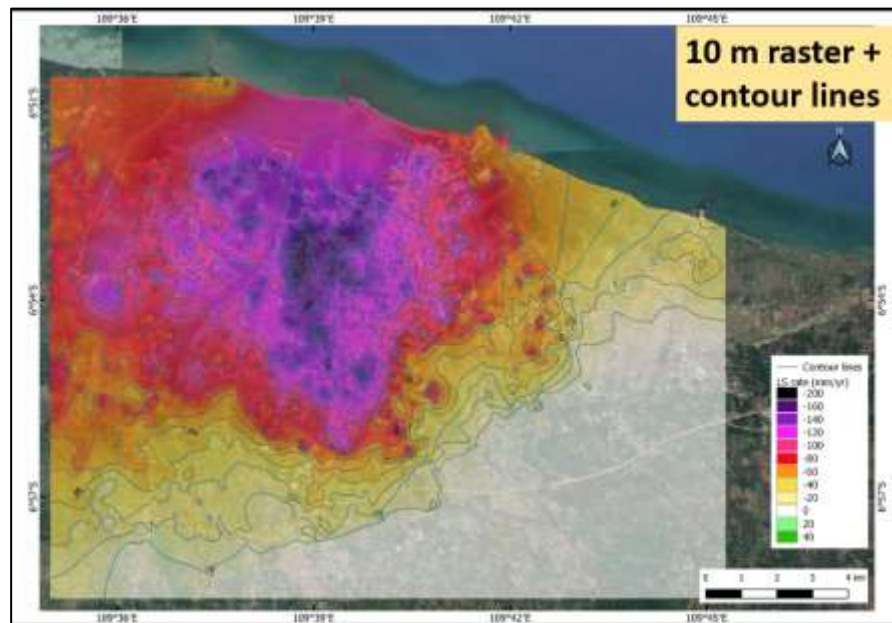
The first analyses show that the current pattern of land subsidence is strongly related to the geology of the coastal zone, and that groundwater extraction is one of the main causes. It is also clear that the city of Pekalongan is severely affected and that major interventions (closed sea wall, high river embankments, pumping stations) are needed to prevent the area from being permanently flooded. In the next steps, the Netherlands Enterprise Agency (RVO), Sensor and local and regional experts and stakeholders will further analyse the data to develop mitigation and adaptation measures. This will also shed more light on the precise causes of the land subsidence and what measures could be taken to slow it down and/or protect the cities from flooding. The charts below are courtesy of Deltares’ Indonesia team and Sensor.

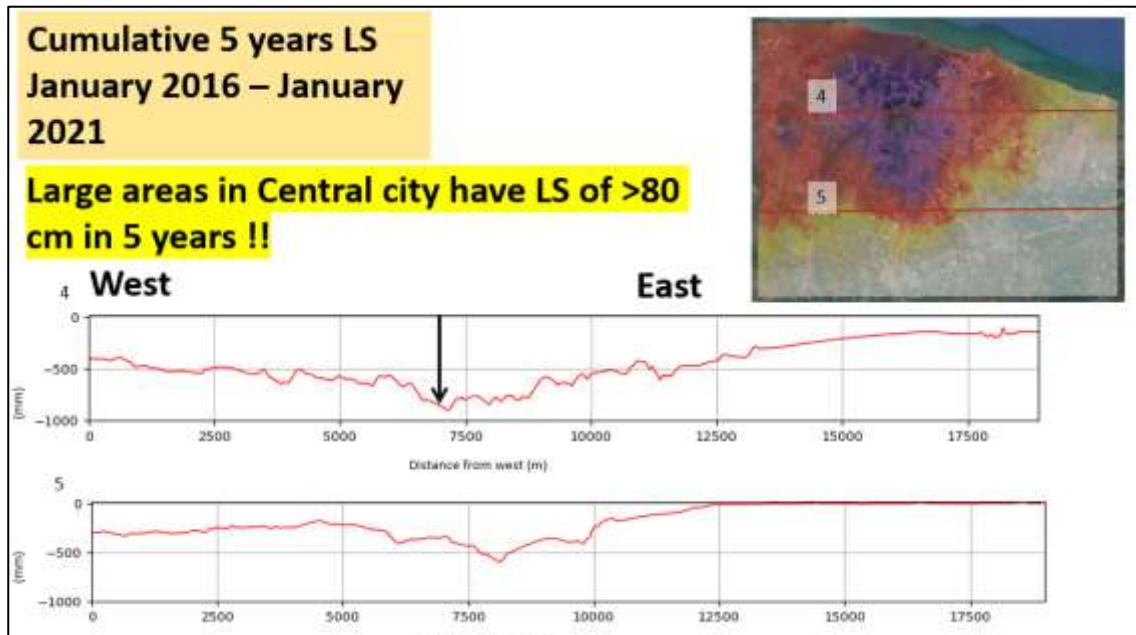
1. Time period analysed:
November 2015 to March 2021.

2. Massive subsidence in western and city area, quickly ending in eastern area.

3. LS extends south-southeast to around the toll road and then stops (consistent with the geology).

4. Highest rates observed in central Pekalongan, >16 cm /year, large areas with >10 cm/year average LS.





3. North Sumatra Virtual Mission Focus Session Water for Food



As part of the planned mission to North Sumatra in the fourth quarter of 2021, the Dutch Embassy in Jakarta will hold a number of focus sessions in the run-up to a field visit (hopefully) to the region later this year or early 2022. Given the theme of Lowland Development/Water for Food under the new MoU, the Embassy held an integrated focus session on Agriculture & Water for Food on 26 August.

The objective of the focus session was to understand where and what the needs are in the fields of agriculture and water in the province, and hence identify the collaboration potential. The Agricultural Counsellor, Joost van Uum, gave a general introduction and explained the Trade Mission's step-by-step approach. Van Uum explained that the AgriFood and Water track consists of two parts, and that part one had been held on 26 August. "The aim of the day was to understand the technology and knowledge needs throughout the chain, from seeds to post-harvest in the Province and Humbang Hasundutan's Food System in particular."

There was a good turnout for the event from the business community, the North Sumatra Government and institutional parties. Much information was shared in presentations and support documents.

On the subject of agrifood, the presentations started with the Acting Head of North Sumatra Food & Horticulture Office explaining the horticulture sector in North Sumatra. This was followed by an explanation from the Indonesian Ministry of National Development Planning/National Development Planning Agency regarding Food Systems as a framework for Indonesia and in the international context. Thereafter was a presentation by the Regent of Humbang Hasundutan on the Food System in his district and the local context, ideas and challenges. The AgriFood sub-session ended with a presentation on Private Sector Development and involvement in the Food System by the Indonesian Coordinating Ministry for Maritime and Investment Affairs.

The Water session started with an Introduction on Water for Food by the Dutch Delegated Representative, Rien Dam, and continued with a presentation on Water in North Sumatra by the Acting Head of North Sumatra Water Resources, Human Settlements and Spatial Planning Office. This session ended with a presentation on Water Resources Management for Humbang Hasundutan Food Estate 2020-2022 by the Head of the River Basin Management Authority for the region.

This first part of the Agriculture & Water for Food integrated focus session is a good reference base to see what is going on and what kind of developments are planned and underway. It revealed a wide range of potential agriculture and land & water development issues, but it is too early to pinpoint exactly where there will be business opportunities. The Webinar was the start of a further consultation process that will eventually clarify the types of collaboration, partnership and business developments. Since the main area for development, Kabupaten Humbang Hasundutan, is still in the early stages of development (land, farming, water & infrastructure, socio-economic and community coherence etc.) it has a wide range of needs. At present, there is no clarity on funding, but the private sector (national and international) is likely to play a prominent role.

The second part of the Agriculture & Water track will be scheduled after the Dutch Embassy has had the chance to visit the area and explore concrete agriculture and water leads. The upcoming second part of the session will match the identified needs with Dutch expertise and offerings. This part will focus on the private sector and look at how Dutch expertise, technology and knowledge solutions can provide added value to the identified needs and challenges. Dutch expertise offers state-of-the-art knowledge with affordable solutions and these could meet the needs on the ground.

Following the interactions in the online focus sessions, a visit to North Sumatra for the Dutch agri and water sector will be planned as soon as Covid circumstances allows. To stay updated on the programme and to access the materials presented (including the recording of the session), please register at the Southeast Asia Business Platform (<https://virtual-mission-asean5.b2match.io>).

Details regarding the upcoming field visit will be shared once available.

4. Netherlands jumps up the ranks as foreign investor in Indonesia

In July, encouraging new data from Q2 2021 emerged showing that the Netherlands has moved up the ranking from 9th position to surpass Japan as the third largest source of foreign investment in Indonesia. Its investments are worth USD 1.1 billion, or nearly 14% of total Foreign Direct Investment (FDI) flow of roughly USD 8 billion during the quarter. This marked a spectacular jump from the previous quarter in which USD 177 million worth of investments flowed into the country from the Netherlands. The majority of FDI at present flows into the metal industry, mining, transportation, telecom, utilities, housing, industrial estates and office buildings. Singapore and Hong Kong remain Indonesia's largest and second largest foreign investors. Despite the current pandemic, the FDI has continued to show a rise since Q2 2020 when the total FDI was valued at USD 6.8 billion.

5. Working under Indonesia's Covid-19 regulations

The spread of the Covid-19 Delta variant has had a major impact on Indonesian society and its business environment. A sharp increase in infection rates occurred in June-July on both Java and Bali as well as in almost all other provinces. This led the Government to impose strict measures affecting international and regional travel and working conditions in many sectors. Most of the restrictions still apply at present. The general rule is that the country is closed to nearly all foreign visitors, with the exception of those with valid residence and work permits (KITAS), in which case a quarantine of eight days applies. Within the country, travel is permitted with PCR testing, but the number of domestic flights has been reduced. The high infection rate has affected service levels in hospitals, though this is now slowly improving. Nevertheless, people are careful and avoid socialising physically or engaging in physical work meetings, and some public services have been affected. This particularly applies to government employees, somewhat affecting output. However, for the last year Indonesia has operated in 'Work From Home' mode, and in general people have become skilled in working with programmes such as Zoom and Teams in video meetings. In fact, videoconferencing has proven to be an effective way of working when properly prepared and facilitated. This applies to both small group meetings and major webinars with over 800 people. Continuing business or project activities via online cooperation is certainly possible and effective when properly prepared and organised, though may need a bit of extra effort or support from your local representative. It is highly likely, but obviously dependent on the measures taken by the Indonesian Government in response to the developing situation, that the current restrictions will continue for at least several months.

6. Events calendar



Dubai Expo (22 Jan) The full event will take place from October 2021-March 2022



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VOOR WATER**



SIWW (17-21 April 2022)

Amsterdam International Water Week (AIWW) runs from 31 October - 5 November 2021, and includes Aquatech Amsterdam from 2-5 November.



The UN Climate Change Conference (COP26) set to take place in Glasgow has been re-scheduled to 1-12 November 2021.



For more information or suggestions for the next Country Update Indonesia, please contact Simone Sweerts, Project Manager Asia: +31-70-3043736, s.sweerts@nwp.nl

If you would like to share information and stay informed by other partners of the Indonesia Network, kindly register on the NWP Indonesia Platform LinkedIn page [here](#).

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