The Government of the Republic of Indonesia
Submission
On the Baku to Belem Roadmap to 1.3 Trillion

The Government of the Republic of Indonesia would like to submit views regarding Baku to Belem Roadmap to 1.3 Trillion, referring to the following questions as communicated in the Message from the Presidencies of CMA6 and CMA6, with views as follows:

a. *What are priority **short-term** (by the end of 2028) and **medium-to-long-term** (beyond 2028) actions necessary to enable the scaling up of financing for climate action to developing countries? Based on experience to date and evidence, what can those actions contribute to in terms of progress in enabling the **scaling up of financing**?*

Indonesia underscores that the Baku to Belem Roadmap must be firmly grounded in the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC). Developed countries bear historical responsibility for the climate crisis and therefore must provide predictable, grant-based and concessional finance to enable ambitious climate actions in developing countries.

Before addressing these questions, Baku to Belem roadmap should not only focus on how to scaling up financing, but more on **what kind of financing that we seek**: Financing under Baku to Belem roadmap, especially in short-term, should be mainly in the form of grants & concessional financing, affordable, avoiding more debt burden for countries, while also has great impact for climate actions, in terms of sustainable development & poverty eradication.

1. In formulating the Baku to Belem roadmap, **grants & concessional financing** from developed to developing countries are essential component, showcasing real financing that represent historical responsibility on climate change as global issue is necessary.
2. Financing under the Baku to Belem roadmap should be **affordable and avoiding more debt burden for countries**. While grants & concessional financing are essential & necessary, we all already realized that global funding gap still enormous

for developing countries. Additional finance is needed, but it must be affordable for people and developing countries. It should also avoid more debt burden for countries, because international climate finance should represent justice in relation with historical emission, and does not hamper developing countries' capacity for sustainable development & poverty eradication.

3. It is widely acknowledged that climate finance also needs to **bring great impact** for climate actions and climate resilience, in terms of sustainable development & poverty eradication. Climate actions should be hand-in-hand with development agenda.
4. Climate financing should be strategically **aligned with national priorities** to ensure that it directly supports country's development agenda and long-term sustainability goals. This alignment helps maximize the effectiveness of resources by channeling funds into areas that generate the highest impact and prevent overlaps between programs or projects, which can lead to inefficiencies, wasted resources, and fragmented implementation.

Having considered these aspects, priority for the **short-term** (by the end of 2028) should focus on financing aid, such as **grants & concessional loans**, to represent historical responsibility and building trust of multilateralism. In addition, short-term priorities should include financing for **loss and damage**, expanding access to funding, enabling just transition, supporting capacity building and catalyzing **additional finance** from various sources.

- The aims for the short term should be for **building trust, building resilience and adapt** for climate impacts so that countries can build climate actions to reach higher ambitions; and starting to use limited resource to leverage more financing from other sources. For these needs, there is a need for clarity on the goal of "developed country Parties taking the lead, of at least USD 300 billion per year by 2035" as decided under NCQG at COP29. Support from **developed countries should be mainly in the form of grants & concessional loans** to reflect climate justice, historical responsibility, and principle of CBDR-RC.
- **MDBs** are uniquely positioned to drive climate action in developing countries by mobilizing public and private investment and **providing affordable, long-term financing**. MDBs can provide financing that reduce capital costs, open access to soft loans, and increase the allocation of financing for the climate.
- Loss and Damage has clearly been articulated as a need and priority by developing countries and Loss and Damage contributions are included in many of their NDCs. Therefore, the Roadmap must operationalize the **provision of loss and damage**

finance from developed countries to all developing countries to implement their national climate plans (NDCs, NAPs, etc.) to avoid, address, and minimize the impact of climate change that could hamper countries' ability for sustainable economic growth and development.

- Short-term priorities must also lay the foundation for a **just transition**, including channeling resources to inclusive social protection measures, reskilling programs for workers, and investments in universal and affordable energy access.
- Financial Mechanism under UNFCCC should **simplify access** and accelerate the project approval process, especially for vulnerable countries, while providing increased readiness support to accelerate project preparation and pipeline building. In addition, ensuring more national accredited entities remains critical.
- The roadmap should include a strong component for **capacity building** in developing countries. This will enable them to effectively develop project proposals, meet fund requirements, and successfully implement climate-friendly projects.

Meanwhile, priority for the **medium-to-long-term** (beyond 2028) should be more on the forms of **blended finance, co-financing**, and other innovative financing instruments to be implemented in many developing countries.

- The objectives of actions for the medium-to-long-term should be on elaborating and **broadening the use of leveraging public finance** for private and other source of finance, to aim for the goal USD 1.3 trillion. Innovative instruments must remain complementary to, and not a substitute for, scaled-up public finance from developed countries.
- Mobilization of **private capital** should not undermine affordability, equity, or national ownership of climate strategies. In this regard, Financial Mechanisms under UNFCCC and Paris Agreement can play significant role as a "first loss investor" and de-risk projects for private partners. The Roadmap should also address on how to encourage & build private sector in developing countries, not only private sector in developed countries, to also contribute for climate actions.
- In the medium-to-long-term, climate finance needs to be more focused on **innovative financing,** particularly those based on a positive nature economy. For example, it's necessary to develop investment-based financing for nature restoration, including rehabilitation and restoration, through carbon trading, and other financing schemes like green bonds, blended finance, and others.

b. *What strategies can be implemented to enhance and scale up public and private financing mechanisms for climate adaptation, especially in vulnerable regions?*

Glasgow Climate Pact (adopted on 13 December 2021) decided a call for developed countries to double their collective provision of climate finance for adaptation to developing countries to approximately **USD 40 billion annually by 2025**, up from the roughly USD 20 billion provided in 2019. Developed countries claimed to have provided and mobilized a total of USD 32.4 billion in adaptation finance in 2022[1], while international public adaptation finance flows to developing countries actually reached USD 27.5 billion in 2022[2]. However, according to UNEP Adaptation gap report 2024, adaptation finance gap globally is estimated at **USD 187-359 billion per year**. Therefore, we need to have much higher financing target for climate adaptation.

Financing for climate adaptation can be scaled up through several strategies:

1. In line with CBDR-RC, scaling up adaptation finance must be primarily driven by developed countries, whose obligation is to deliver predictable, new and additional resources. On international **public finance** for adaptation, the call for doubling adaptation finance made at COP26 needs further higher ambition. Recognizing that public finance from developed countries are necessary as mentioned in previous question, there should be a much **more ambitious call for developed countries to increase their adaptation finance** for developing countries.

2. The Baku to Belem Roadmap need to have a **specific sub-goal on adaptation finance**. The existence of this specific sub-goal is crucial to highlight the factual need for adaptation finance, and to provide a specific mandate for its provision to developing countries. This numerical sub-goal can serve as a reference point to strengthen accountability in the delivery of funds. Within this sub-goal, adaptation finance should be **primarily funded by grant-based** finance, to avoid vicious cycle of debt. The UNEP report mentioned that loans currently dominated the share (62%) of adaptation finance, with approximately a quarter being non-concessional.

3. Considering the challenges faced in accessing adaptation finance under the operating entities of the existing Financial Mechanism (such as the Adaptation Fund and the Green Climate Fund), there is a need to **develop small-scale financing access schemes**. Alternatively, an aggregated platform of small-scale projects which uses intermediary to subnational or local community is also an option. These should

[1] https://unfccc.int/sites/default/files/resource/Doubling%20Adaptation%20Finance_Efforts%20to%20Respond%20to%20the%20Call%20of%20the%20Glasgow%20Climate%20Pact.pdf

[2] UNEP Adaptation Gap Report 2024

enable direct access with low transaction costs, making adaptation finance more accessible to vulnerable communities and local actors. Developing countries also need better access to Financial Mechanism UNFCCC, including by increasing support for **direct access arrangements** tailored to their national needs.

4. Mainstream adaptation into public budgets: Governments can integrate climate adaptation into national and local budgeting processes. This involves allocating specific funds for adaptation projects and making it a priority in development planning. For example, Indonesia implemented **Climate Budget Tagging**. From 2018 to 2024, the state budget allocated an average of USD 4.7 billion per year (3 % of the State Budget). Within that amount, adaptation finance continued to increase with positive trend with 2.9% growth rate since 2018 until 2024. Cumulative adaptation spending in Indonesia’s Climate Budget Tagging since 2018-2024 was around 54.4% of total climate spending or a total of USD 17,8 billion.
5. **Innovative financing**: a wider range of financial instruments beyond traditional grants and loans can be utilized. This could include leveraging sovereign green bonds specifically for adaptation projects, utilizing debt-for-climate swaps where a portion of a country's debt is forgiven in exchange for investments in climate resilience, and establishing national and sub-national climate funds.
6. **Insurance instruments** are a critical component of climate change adaptation, offering a way to manage the financial risks associated with extreme weather events and other climate impacts. By providing a mechanism to transfer risk from vulnerable populations and businesses to a larger, more resilient entity, insurance can help individuals and communities recover more quickly from disasters like floods, droughts, and hurricanes. However, to be truly effective, this approach must be implemented on a **global scale**. A global insurance framework would enable the pooling of risks across different regions, ensuring that countries with limited resources are not left to face climate-related losses alone. This international cooperation is essential for building a more equitable and resilient global society capable of withstanding the growing challenges of climate change.
7. Governments can also create and implement **clear policies, regulations, and taxonomies** that define what constitutes climate adaptation. This provides a clear signal to investors and helps to build a pipeline of bankable, climate-resilient projects. Government policies should also aim to crowding in private investment.
8. Strengthening **institutional capacity** are required to integrate and prioritize adaptation actions into domestic development planning. Improved data on economic

and social risks, as well as on financial and economic returns of adaptation projects, will be essential to make the case for scaling up investment.

9. Attracting **private capital** is crucial because public funds alone are not enough to close the adaptation finance gap. However, private appetite for adaptation projects remains relatively low, given the perception of limited revenue streams and higher risks compared to mitigation investments. This underlines the need for instruments and policy frameworks that can improve bankability, reduce risk, and demonstrate the long-term value of adaptation investments. In this regard, using blended finance can become a practical strategy to scale up private financing. Limited public finance can be used as catalytic finance, providing guarantee, or first loss tranche. Guarantees can mobilize five to six times more private finance than traditional loans[3]. According to the Green Guarantee Group report (Climate Policy Initiative, 2025) and related OECD/Milken Institute studies, guarantees are among the most effective instruments for mobilizing private capital because they reduce risk for investors and lenders. While they currently account for a small share of multilateral commitments (around 5%), their leverage effect can mobilize private investment at a much higher ratio—up to 45% in some cases. Local currency financing & FX hedging is also highly required to reduce the foreign exchange risk for local borrowers in vulnerable regions. These instruments can be supported/provided by MDBs.

10. International Organizations, International Financial Institutions, and **Multilateral Development Banks** play an important role—not only in bridging financing gaps through concessional and blended finance, but also in providing technical assistance and capacity-building support that help strengthening regulatory frameworks, developing green pipelines, and de-risking private sector investment. However, more coordinated support is still needed to enhance capacity and ensure adaptation projects bankability at scale. MDBs should also strategically integrate the mobilization of private sector capital as a core Key Performance Indicator (KPI) within their operational and project evaluation frameworks. This involves setting specific, measurable targets for the ratio of private capital leveraged per dollar of MDB investment, as well as the number of projects successfully attracting private finance through de-risking instruments and technical support. By making private sector engagement a central metric of success, MDBs can foster a more catalytic role, creating a virtuous cycle where their support directly facilitates scalable, market-

[3] https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2024/11/Raising-ambition-and-accelerating-delivery-of-climate-finance_Third-IHLEG-report.pdf

driven climate adaptation solutions.

11. A **Taxonomy** for green and sustainable activities is essential for scaling up private sector investment in climate change adaptation by providing a clear and standardized framework for identifying climate-resilient projects. By defining what constitutes climate-resilient activities, a taxonomy helps investors and businesses make informed decisions, reducing uncertainty and risk. For example, the ASEAN Taxonomy for Sustainable Finance provides a comprehensive framework for guiding sustainable investment decisions in Southeast Asia. Indonesia is also developing Taxonomy for Sustainable Finance to support climate-resilient investments. According to the Global Center on Adaptation, investing in climate resilience can yield significant economic benefits, with every dollar invested generating returns of up to $10. By leveraging a Green Taxonomy, governments and private sector actors can mobilize investments towards climate-resilient infrastructure, agriculture, and other sectors, ultimately enhancing adaptive capacity and reducing vulnerability to climate-related impacts.

c. *What other experiences, proposals or approaches could help inform and accelerate efforts to mobilize USD 1.3 trillion in financing, including through grants, non-debt creating instruments, new sources of finance, and strategies to create fiscal space?*

Indonesia experience in country platform and Indonesia Environment Fund (BPDLH) provide example of efforts to accelerate mobilization of climate finance. Global proposal on MDB reform, as well as innovative approach like carbon pricing, are also potential for this objective.

1. **Country Platforms** are crucial mechanism for advancing a country's capacity to attract and manage sustainable investments. They are a structured cooperation arrangement that **connects national climate strategies**, such as NDCs and NAPs, with **potential financing partners** and investment priorities. The primary role of these platforms is to act as a convening and coordinating body, bringing together various stakeholders—from government ministries to international financing institutions—to ensure that climate action and development goals are aligned with tangible, investable projects. Country Platforms should be designed to enhance domestic capacity by strengthening institutional frameworks, managing local risks, and developing robust project pipelines. Country platforms are not one-size-fits-all, but they represent a promising model to streamline climate finance and ensure it supports nationally determined priorities rather than donor-driven agendas. Some

examples of Indonesia experience:

- The Indonesia Just Energy Transition Partnership (**JETP**) enables International Partners Group (IPG) and GFANZ committed to mobilizing USD 21.6 billion to drive large-scale renewable investments and deliver social and economic benefits nationwide. The JETP is a landmark collaboration between Indonesia and global partners to accelerate the shift from fossil fuels to clean energy.
- The **ETM Country Platform** has attracted USD 500 million in concessional loans from the Climate Investment Funds, which is expected to leverage up to USD 5.1 billion from MDBs and other financiers. This is enabling us to pilot coal-to-renewable transitions.

Such partnerships & country platform must prioritize social and economic justice, ensuring that transition pathways are affordable, inclusive, and leave no one behind. Lessons from Indonesia highlight the importance of embedding equity and affordability into country platforms.

2. Indonesia Environment Fund (BPDLH)

In managing climate change funding, Indonesia Environment Fund (Badan Pengelola Dana Lingkungan Hidup/BPDLH) acts as a performance-based fund management entity, particularly through the **Reducing Emissions from Deforestation and Forest Degradation (REDD+)** scheme. One significant example is the management of results-based payments from various international partners.

- BPDLH currently manages USD 103.78 million from the Green Climate Fund (GCF) for Indonesia's success in reducing emissions by 20.25 million tons of CO2eq between 2014 and 2016.
- BPDLH is also entrusted with managing USD 110 million from the World Bank's Forest Carbon Partnership Facility-Carbon Fund as payment for emission reductions of 22 million tons of CO2eq in East Kalimantan.
- BPDLH also manages total of USD 216 million from Norway under Result Based Contribution (RBC) 1-4 in reducing 43.2 million CO2eq.

For disaster management, BPDLH is involved in the management of the **Disaster Pooling Fund (PFB)**, a central funding mechanism aimed at strengthening Indonesia's fiscal resilience to disaster risks. The PFB was established to pool funds from various sources, including the state budget and international aid, to provide adequate and timely financing during disasters. The BPDLH, in collaboration with the National Disaster Management Agency (BNPB) and the World Bank, acts as the fund's management unit. BPDLH now manages around IDR 8 trillion (around USD 480 million) of pooling fund, marking Indonesia's commitment to integrating disaster risk financing strategies into the national fiscal framework.

3. **Carbon Markets** as a Potential Additional Source of Climate Finance

   Beyond traditional public and private finance, carbon markets represent a growing opportunity to mobilize additional resources for climate action. If designed and governed effectively, they can complement existing finance flows and contribute to closing the funding gap toward the USD 1.3 trillion target.

   Carbon markets can provide **dual benefits**: generating finance for low-carbon projects and incentivizing sustainable practices. For example, **Indonesia** has recently launched a domestic carbon trading mechanism, with potential to scale into international markets under Article 6 of the Paris Agreement. Revenue generated can be directed into national climate funds and energy transition efforts.

   However, carbon markets are not a silver bullet. To play a meaningful role, the Roadmap must emphasize:

   - **High integrity standards**: Ensuring credits represent real, additional, and permanent emissions reductions.
   - **Equitable benefit-sharing**: Revenues must reach local communities and support just transitions, rather than flowing disproportionately to intermediaries.
   - **Complementarity**, not substitution: Carbon market finance should complement—not replace—public finance commitments under the NCQG.

   If guided properly, carbon markets can be a vital additional source of climate finance for developing countries, while also creating incentives for private investment in mitigation and nature-based solutions.

4. **MDB reform** must be accelerated to crowd in private capital, with a strong focus on the needs of the Global South. Key reforms should include:

   - MDBs need to improve the accessibility, efficiency, and responsiveness of its support. This involves using risk-sharing and de-risking tools to attract private investment, supporting country-led platforms that align public and private resources, and strengthening project pipelines. MDBs can stretch their existing capital through measures such as hybrid capital instruments and portfolio guarantee, enabling them to take on more risk and catalyze private flows.
   - Scaling risk-sharing instruments: Tools such as first-loss guarantees, political risk

insurance, and local currency facilities can significantly lower barriers for private investors. For example, the World Bank's MIGA has provided political risk guarantees that unlocked private investment in renewable energy in Sub-Saharan Africa.

- Local currency financing: Currency volatility is one of the biggest deterrents for private investors in the Global South. MDBs should prioritize developing local currency markets and hedging instruments, as pioneered by the Asian Development Bank's local currency bond initiatives.
- Strengthened partnerships with local National Development Banks (NDBs): MDBs often operate at a macro level, while NDBs are closer to the ground. By co-financing with NDBs, MDBs can better align global capital with local development priorities.

d. *What key actors and existing multilateral initiatives should be considered or involved, as appropriate, to support the delivery of the USD 1.3 trillion target?*

1. **Developed countries** have a central responsibility in achieving the USD 1.3 trillion climate finance target, consistent with the principle of common but differentiated responsibilities and respective capabilities (CBDR-RC). It is important not only to honor existing commitments, but also to scale up **predictable, concessional, and grant-based resources** to ensure that finance reaches developing countries in a fair and equitable manner. This includes channeling funds through bilateral mechanisms, dedicated climate funds, and global platforms that prioritize the needs of climate-vulnerable economies. Beyond direct financing, developed countries should play a **catalytic role** by creating enabling conditions for international capital flows, supporting risk-sharing instruments, and ensuring that multilateral and regional development banks are sufficiently capitalized to expand their climate financing capacity.
2. At the national level, the **Ministry of Finance**, **climate-leading Ministry**, **Ministry of National Planning, line ministries** and **financial sector authorities** play a central role in aligning USD 1.3 trillion target with the sustainable development and climate priorities. These authorities provide strategic direction to align financing with countries' NDC, national & sectoral development planning, and just transition agenda, while also building credible pipelines of bankable projects. At the same time, domestic firms play a critical role as the actual implementers and absorbers of climate finance. Their capacity to design, execute, and scale climate-related investments in renewable

energy, sustainable agriculture, and resilient infrastructure will determine how much of the pledged finance translates into tangible outcomes.

3. Initiatives and collaboration under **the Coalition of Finance Ministers for Climate Action (CFMCA)** should be actively engaged in the design and delivery of the USD 1.3 trillion target. Finance Ministers are uniquely positioned to integrate climate action into fiscal and economic policy, as they oversee national budgets, taxation, subsidies, and debt management. Their decisions directly shape the fiscal space available for climate investment, both domestically and through international cooperation.

   The CFMCA plays a strategic role in:

   - **Mainstreaming climate into fiscal policy:** embedding climate considerations into budgeting, expenditure frameworks, and medium-term fiscal strategies;
   - **Developing and scaling financial instruments:** including guarantees, blended finance, green bonds, and debt-for-climate swaps that can unlock significant private capital;
   - **Ensuring policy coherence:** aligning national tax policies, subsidies, and incentives with climate objectives while safeguarding development priorities and affordability;
   - **Strengthening global cooperation:** by facilitating dialogue between finance ministries of developed and developing countries, and coordinating with Multilateral Development Banks (MDBs), IMF, and other international actors.

   Indonesia underscores that the participation of developing country members of the CFMCA is particularly critical. Their perspectives ensure that the Roadmap reflects the realities of the Global South, including the need for just and affordable transition, debt sustainability, and the principle of CBDR-RC.

   In this regard, collaboration with the CFMCA can help anchor the Baku to Belem Roadmap not only in climate ambition, but also in sound **macroeconomic and fiscal policies** that enable delivery of predictable, sustainable, and equitable finance at scale.

4. Multilateral, Regional, and National Development Banks

   Multilateral Development Banks (MDBs) and regional development banks are pivotal in **bridging international commitments with real economy investments**. Their unique mandates allow them to take on higher risks than commercial institutions, while aligning closely with national development and climate priorities. MDBs can leverage their **balance sheets, concessional windows, and blended finance mechanisms** to mobilize private sector investment at scale. Regional development banks provide tailored financing solutions that address local realities and development pathways. Strengthening their role within the Baku-to-Belém Roadmap—including through fresh capital contributions from developed countries—will help ensure that climate finance is deployed where it is most needed, including in markets where private capital is reluctant to flow.

In addition, National Development Banks (NDBs) are uniquely positioned to bridge the gap between **public commitments** and **real economy investment**. Their mandates allow them to finance sectors or projects that commercial banks consider too risky, while remaining closely aligned with national development priorities. However, within the Roadmap, the specific contribution of NDBs remains vague.

Through the *Finance in Common (FiCS)* initiative, NDBs have demonstrated collective commitment to align portfolios with the Paris Agreement. For instance, the 2025 FICS Summit in South Africa emphasized the role of NDBs in accelerating just transitions and financing sustainable infrastructure. Yet this momentum has not been sufficiently translated into the Baku-to-Belém Roadmap.

Examples from the Global South illustrate the catalytic role NDBs can play:

- South Africa: The Development Bank of Southern Africa (DBSA) has created innovative climate financing instruments such as the Climate Finance Facility, co-funded by the Green Climate Fund, which provides concessional capital to mobilize private investment into renewable energy and water infrastructure.
- **Indonesia: PT Sarana Multi Infrastruktur (PT SMI)** has created a blended finance platform called SDG Indonesia One and as an accredited entity of Green Climate Fund, leveraging international concessional resources to anchor large-scale programs like the Energy Transition Mechanism (ETM).
- Latin America: CAF (Development Bank of Latin America) has scaled up financing for green transport and urban resilience by blending sovereign, concessional, and private finance.

Recognizing and strengthening the role of NDBs within the Roadmap will help ensure that the USD 1.3 trillion target is **not only mobilized** but also **effectively deployed in markets where private capital is reluctant** to flow.

5. Private Sector

The private sector—both in developed and developing countries—plays a critical role as the **driver of large-scale investment** in renewable energy, sustainable agriculture, resilient infrastructure, and green technologies. Domestic firms in developing countries are at the front line as **implementers and absorbers** of climate finance, while private financial institutions in developed countries hold the resources and expertise to mobilize capital internationally. Unlocking this potential requires clear policy signals, de-risking instruments, and credible pipelines of bankable projects. Mechanisms such as guarantees, blended finance, green bonds, and debt-for-climate swaps are essential to align risk-return profiles with climate goals. By combining domestic capacity with international capital flows, the private sector can ensure that the USD 1.3 trillion target translates into tangible climate and development outcomes.
