



SUBMISSION BY THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

In responding to the **Call for evidence: information and data for the preparation of the fifth Biennial Assessment and Overview of Climate Finance Flows**, The Government of the Republic of Indonesia would like to support The Standing Committee on Finance (SCF) by providing information on climate finance flows in Indonesia.

The following are several initiatives that have been carried out by the Indonesian government related to climate finance:

Climate Budget Tagging¹

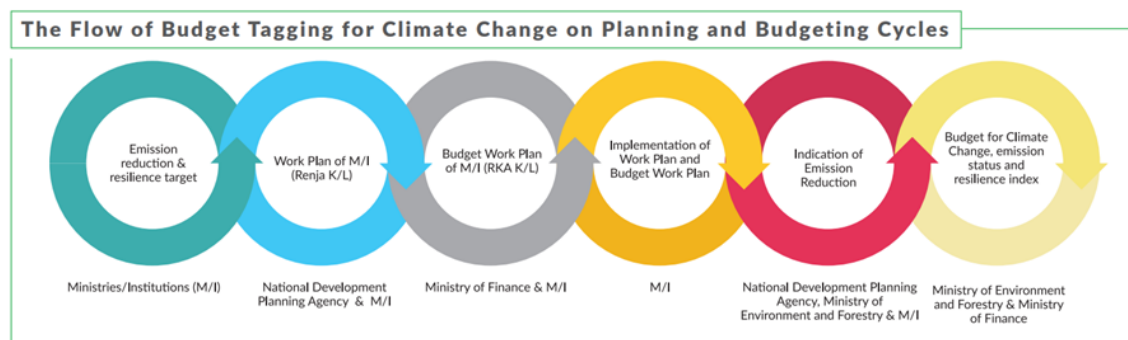
In 2015 the Republic of Indonesia introduced a system for “tagging” of ministry budgets (Budget Tagging Process) to identify expenditures on projects that deliver specified climate change benefits in accordance with the Republic of Indonesia’s climate objectives.² The Budget Tagging Process was developed since 2014³ with the support of the UN Development Programme and involves a detailed assessment of the climate benefits of projects undertaken by Line Ministries. At the initial stage, the Budget Tagging Process covers climate change mitigation, involving 6 Line Ministries, i.e. (i) Ministry of Agriculture; (ii) Ministry of Energy and Mineral Resources; (iii) Ministry of Transportation; (iv) Ministry of Industry; (v) Ministry of Environment and Forestry; and (vi) Ministry of Public Works and Housing (and may be adopted by other Ministries in due course) based on key performance indicators of project output. In 2018, the Budget Tagging Process is expanded to cover climate change mitigation and adaptation,

¹ <https://fiskal.kemenkeu.go.id/files/buku/file/CBT-NATIONAL-2018-2020.pdf>

² The Republic of Indonesia Green Bond and Green Sukuk Framework, available at: <https://www.djppr.kemenkeu.go.id/uploads/files/dmodata/in/6Publikasi/Offering%20Circular/ROI%20Green%20Bond%20and%20Green%20Sukuk%20Framework.pdf>

³ <https://www.ndcs.undp.org/content/dam/LECB/docs/pubs-reports/undp-ndcsp-green-sukuk-share.pdf>

involving 17 Line Ministries, i.e. (i) Ministry of Agriculture; (ii) Ministry of Environment and Forestry; (iii) Ministry of Maritime Affairs and Fisheries; (iv) Ministry of Energy and Mineral Resources; (v) Ministry of Transportation; (vi) Ministry of Public Works and Housing; (vii) Ministry of Health; (viii) Ministry of Home Affairs; (ix) Ministry of Agrarian Affairs and Spatial Planning/National Land Agency; (x) Ministry of Law and Human Rights; (xi) Indonesian Institute of Sciences; (xii) National Institute of Aeronautics and Space; (xiii) Geospatial Information Board; (xiv) Assessment and Application of Technology Agency; (xv) Indonesian Agency for Meteorology, Climatology and Geophysics; (xvi) Indonesian Central Board of Statistics; and (xvii) National Development Planning Agency (BAPPENAS) (and may be adopted by other Ministries in due course).



The environmental benefits of each project are accessed by the individual ministries together with the Climate Change Secretariat of BAPPENAS and validated by the Ministry of Environment and Forestry to be consistent with Indonesia’s NDC and endorsed by the Ministry of Finance as “tagged” for budget allocation.

The Ministry of Finance will select “tagged” projects that fall into one or more of the Eligible Sectors under this Framework and have a project development timeline consistent with the tenor of the applicable Green Bond or Green Sukuk, to be Eligible Green Projects and funded by the use of proceeds of Green Bonds or Green Sukuk issued. The Ministry of Finance will maintain notes and records of all Eligible Green Projects reviewed and to be funded by the Use of Proceeds of each Green Bond and Green Sukuk issued.

Gender Responsive Climate Change Budgeting

Climate change has impacted the sustainability of ecosystems on earth, while it is also a global issue that is still in the spotlight today. The impact of climate change plays a major role in increasing inequality between community groups, especially between men and women. Climate change has caused difficulties in obtaining water and food in daily needs, where the role is mostly carried out by women. The Government of Indonesia commitment to gender mainstreaming begins with the ratification of the results of the Convention on Elimination of All Forms of Discrimination Against Women (CEDAW) which contains commitments to eliminate all forms of discrimination against women in all fields such as social, political, economic, legal, security, including discrimination in the family, which is stated in Law No. 7/1984. While commitments related to climate change control began when Indonesia ratified the United Nations Convention on Climate Change (UNFCCC) in 1994, Kyoto Protocol in 1997 and the Paris Agreement in 2015.

Climate change and Gender Mainstreaming (PUG) have been determined as cross-sectoral development strategies in the RPJMN document. The implementation of PUG integration into the government planning and budgeting cycle is expected to encourage the allocation of development resources to be more effective, accountable, and fair in providing benefits to all Indonesians, both men and women.

A gender responsive budgeting mechanism has been implemented since 2010 as part of the implementation of the Minister of Finance Regulation No. 119 / PMK.02 / 2009 concerning Instructions for Formulating and Reviewing Work Plans Ministries/Institutions (RKA-KL) Budgets. Based on these regulations, it is emphasized that Ministries/Institutions (M/Is) in preparing the RKA-KL is obligated to prepare the Gender Budget Statement (GBS). The next policy which regulates PUG-PPRG and climate change is Ministry of Finance Regulation No. 136/PMK.02/2014 concerning Instructions for Developing and Reviewing Work Plans and Budgets of State Ministries / Institutions that require M/Is to categorize outputs into thematic state budget (APBN).⁴

⁴ Policy Brief 2020, Gender Responsive Climate Change Budgeting, fiscal policy agency, ministry of finance Republic of Indonesia.

Indonesia's budgeting planning system is sufficient to implement a gender responsive climate change combined theme. This potential is supported by three factors, i.e:

- (i) the existence of regulations on synchronizing budgeting planning supported by the KRISNA application (Collaborative Planning and Budget Performance Information);
- (ii) Mechanisms and institutions that facilitate the process of tagging climate change budgets and gender responsive budgets; and
- (iii) A reward system for implementing Gender Responsive Budgeting, namely Anugerah Parahita Ekapraya (APE).

Green Bond and Green Sukuk⁵

The proceeds of each Green Bond or Green Sukuk will be managed within the Government's general account in accordance with sound and prudent treasury management policy. Upon request from the Line Ministries, the Green Bond and Green Sukuk proceeds will be credited to a designated account of the relevant ministries for funding exclusively projects as defined in the Framework. Pending application to Eligible Green Project proceeds will be held in cash in the Government's general account at Bank Indonesia.

The proceeds of each Green Bond or Green Sukuk can be used both for the financing and/or refinancing of eligible green projects. If part of the proceeds are to be used for refinancing, ROI shall disclose the ratio of the proceeds which is used for financing and refinancing to the total proceeds. The Ministry of Finance shall manage the processes for allocation of the proceeds of each Green Bond and Green Sukuk issuance, and make sure that the proceeds are used in accordance with this Framework.

The respective ministries utilizing the proceeds shall track and monitor, and report to the Ministry of Finance, the environmental benefits of the Eligible Green Projects in their portfolio which are funded by Green Bonds or Green Sukuk proceeds. Eligible Green Projects refer to projects which promote the transition to low-emission economy

⁵ The Republic of Indonesia Green Bond and Green Sukuk Framework, available at: <https://www.djppr.kemenkeu.go.id/uploads/files/dmodata/in/6Publikasi/Offering%20Circular/ROI%20Green%20Bond%20and%20Green%20Sukuk%20Framework.pdf>

and climate resilient growth, including climate mitigation, adaptation, and biodiversity in accordance with the criteria and process set out in this Framework. Eligible Green Projects must fall into at least one of the following sectors:

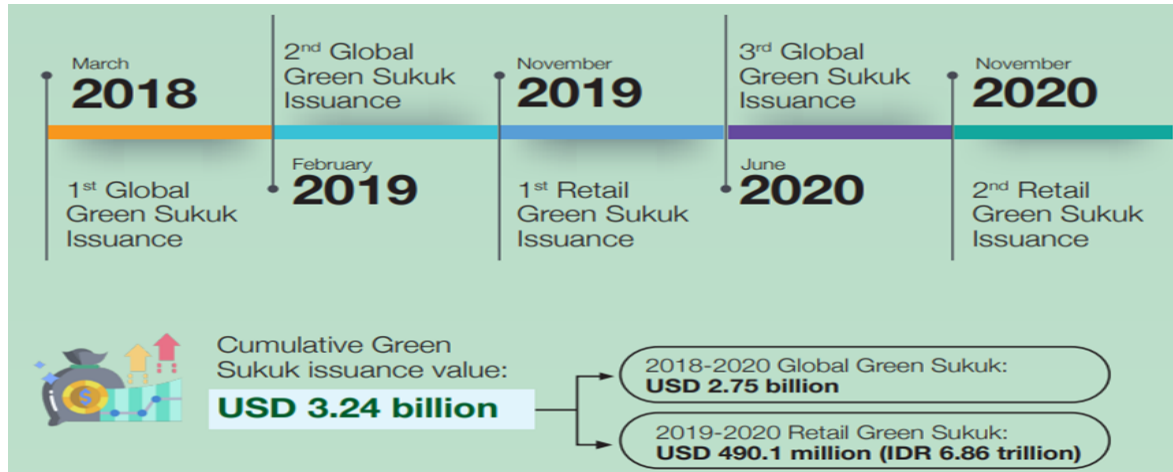
1. Renewable Energy
2. Energy Efficiency
3. Resilience to Climate Change for Highly Vulnerable Areas and Sectors/ Disaster Risk Reduction
4. Sustainable Transport
5. Waste to Energy and Waste Management
6. Sustainable Management of Natural Resources
7. Green Tourism
8. Green Buildings
9. Sustainable Agriculture

A Green Bond and Green Sukuk allocation register (the “Register”) will be established to record the allocation of each Green Bond or Green Sukuk proceeds. The Register will contain, for each Green Bond and Green Sukuk issued, information including:

1. Details of Each Green Bond or Green Sukuk: ISIN, pricing date, maturity date, etc.
2. List of Eligible Green Projects, with information including:
 - Summary of projects details;
 - Amount of proceeds allocated to each eligible projects;
 - Expected climate and/or environmental impacts of eligible projects;
 - Aggregate amount of proceeds of Green Bonds and Green Sukuk allocated to eligible projects;
 - Remaining balance of unallocated proceeds;
 - Other necessary information.

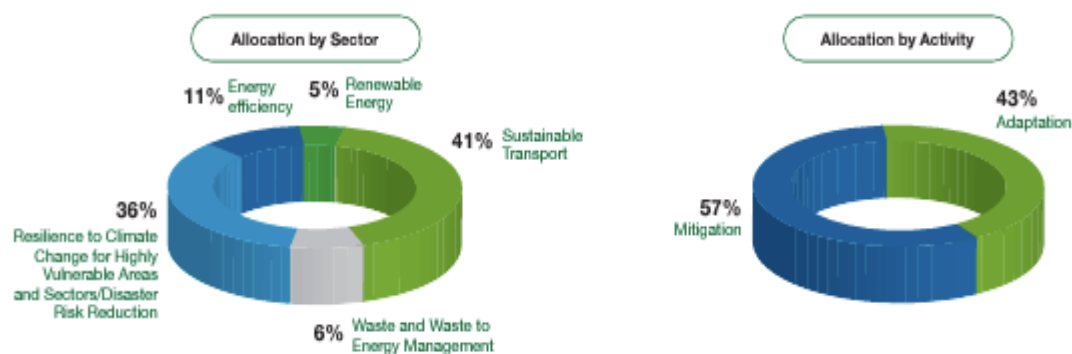
In case of asset divestment, the Republic of Indonesia will mark the proceeds as “unallocated” until the proceeds are used to finance or refinance other Eligible Green Projects.

The Ministry of Finance will manage the process of allocation of funds from each issuance of green bonds and green Sukuk and ensure that the funds are used following the existing framework. The Government of Indonesia was the first government to issue green Sukuk in 2018.



1. 2018: *Indonesia global green sukuk* amount of USD 1,25 billion with a tenor of 5 years;
2. 2019: *green Sukuk* amount of USD 750 million with a tenor of 5,5 years;
3. 2020: *green Sukuk* amount of USD 750 million with a tenor of 5 years; and
4. 2021: *green Sukuk global* amount of USD 750 million with a tenor of 30 years (the first *green Sukuk* in the world with a length tenor of 30 years).

Cumulative 2018, 2019, and 2020 Global Green Sukuk Issuance



Source: Green Sukuk Allocation and Impact Report ⁶

⁶ Green Sukuk Allocation and Impact Report, May 2021. Available at: https://djppr.kemenkeu.go.id/uploads/files/dmodata/in/6Publikasi/Offering%20Circular/Green%20Sukuk%20Allocation%20and%20Impact%20Report_2021%20FINAL.pdf

Impact of Green Sukuk

For the assessment of the effectiveness of climate finance, the Green Sukuk Allocation and Impact Report highlights several expected results of the projects:

- **Development and Management of Railway Transport Infrastructure and Supporting Facilities**

Having supported part of the Double-Double Track upgrade of North Line Java Railways Network connecting Jakarta–Surabaya, the 2020 Green Sukuk supported the financing of the double track line in South Line Java Railways Network upgrade. The Greater Jakarta Commuter Line is expected to reduce GHG emission by 172,001 tCO₂e (2020), 557,522 tCO₂e (2019), and 564,345tCO₂e (2018); while the South Java Double Track line (activated in 2020) is expected to reduce GHG emission by 121,850 tCO₂e, increase passenger-km by 1.3 times (or 2,547,965,852 passengers are expected to shift from bus/ private car/ motorcycle) and reduce travel time by 30 minutes on average compared to the existing road transport modes.

- **Expansion and Preservation of Agricultural Lands**

Potangoan Village of Buol Regency of Central Sulawesi was selected as one of the implementation sites for rice-field opening and revitalization project. The 18 hectares of rice-field area were managed by ‘Karya Beramal’ farmer group. According to the Vulnerability Index Data Information System (SIDIK) of the Ministry of Environment and Forestry, Buol Regency was categorized as one of the areas that is highly vulnerable to climate change impacts – which may threaten food security. During the 2015-2019 RPJMN period, the Ministry achieved 435,220 hectares of 1 million hectares target. Of which, the 2020 Green Sukuk issuance contributes to refinancing the 2018 fiscal year project totaling about 9,560 hectares of the 12,000-hectares target, with potential rice production at 66,970 tons. However, it is worth noting that the Green Sukuk’s support avoided the extensification at peatland areas, such as those in the Central Kalimantan area.

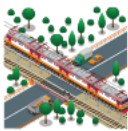
- Management of Dam, Lake, and Other Water Retention Facilities

The government emphasize the need to integrate the aspect of climate change resilience within the planning, implementation, and reporting stages, as reflected in the 2020-2024 RPJMN - revising the previous nomenclature of “water resource management” into “water resource resilience”. Therefore, the 2020 Green Sukuk issuance financed the development of the water retention units, i.e. water retention basins (embung), dams, and lakes in 22 provinces across Indonesia. These projects provided solutions for the local community to access the groundwater. For instance, the people of Riau Islands Province were heavily dependent on smaller (both artificial and natural) rain-fed embung and lakes, while constantly exposed to the risk from water scarcity. To respond to the situation, the Ministry of Public Works and Public Housing leveraged the Green Sukuk financing to develop and supervise the water retention project located in Karas Island, Batam City of Riau Island Province. The City Government further built the water treatment facility, ensuring the sustainability of the water resources. The project is expected to provide embung storage capacity at 0.003 million m³. In addition to the increase in water storage capacity, the project also contributes towards the creation of hundreds of jobs – empowering the local economy.

Projected Environmental and Social Impacts

For 2020 Global Green Sukuk

Sustainable Transport



Expected to:

- Reduce **1,415,718 tCO₂e** of GHG emission
- Reduce travel time by **30 minutes on average**
- Increase passengers-km by **1.3 times** (over 2.5 billion passengers are expected to shift from private mode of transportation)

Resilience to Climate Change for Highly Vulnerable Areas and Sectors/Disaster Risk Reduction



Expected to:

- Fulfill raw water supply needs for drinking water of **275.5 m³**
- Protect **1920.4 Ha** of areas from flooding
- Rehabilitate **134,700 Ha** of tertiary irrigation network
- Develop **1,071 units** of other water source
- Benefit **1,236,000 people**
- Create and revitalize **12,000 Ha** of rice field

Waste to Energy and Waste Management

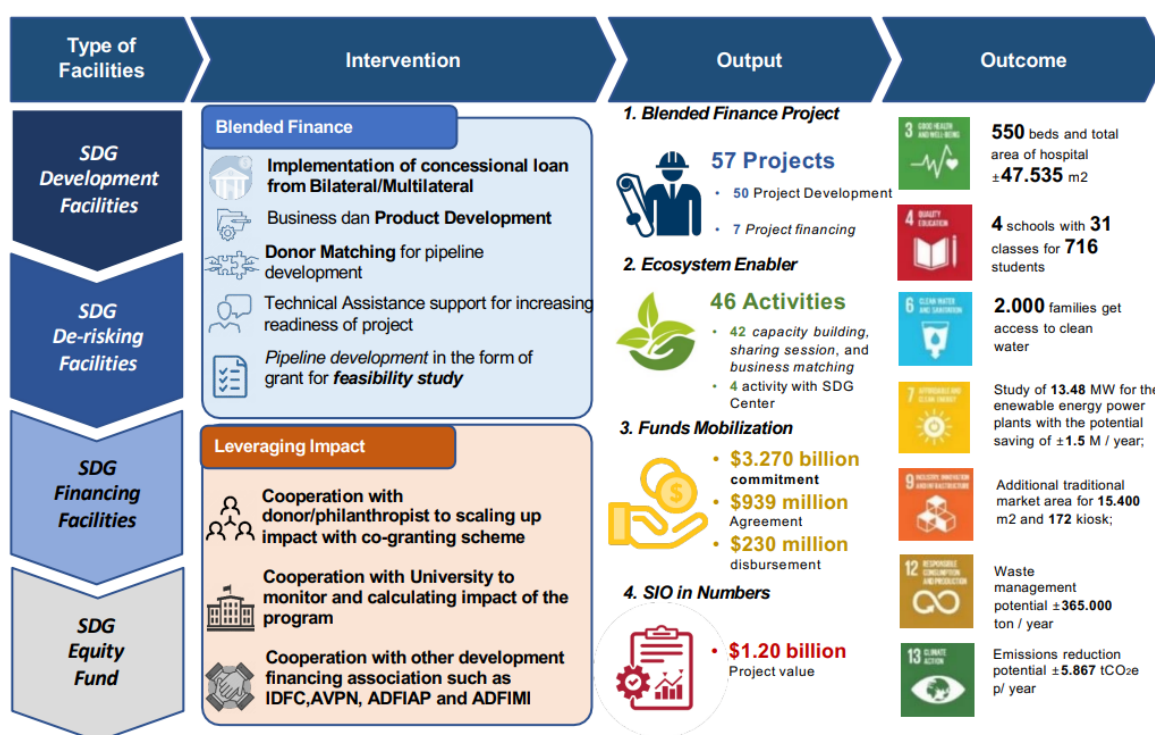


Expected to benefit **2,059,094 households** due to the improved waste management

SDG Indonesia One⁷

The Government of Indonesia is working to achieve the SDGs by establishing an integrated platform called "SDG Indonesia One" that combines public and private funds (through blended finance) to be channeled into infrastructure projects related to SDGs. SDG Indonesia One is a platform that provides 4 (four) pillars to donors and investors alike; Development Facilities, De-Risking Facilities, Financing Facilities, and Equity Fund.

Highlight Implementation of SDG Indonesia One as of April 2022



Source: <https://www.thkforum.org/wp-content/uploads/2022/04/The-Worlds-First-Blended-Country-Fund-SDG-Indonesia-One-Lessons-on-Crowding-in-Blended-Finance-and-Private-Capital.pdf>

Indonesia's SDGs Bond Framework⁸

The government of Indonesia developed the SDGs Government Securities Framework (SDGs Framework) and had the Second Party Opinion from CICERO and IISD⁹. Indonesia's SDGs Framework has been developed to demonstrate how

⁷ <https://ptsmi.co.id/sdg-indonesia-one>

⁸ <https://www.djppr.kemenkeu.go.id/page/load/3229>

⁹ <https://www.djppr.kemenkeu.go.id/page/loadViewer?idViewer=10799&action=download>

Indonesia intends to issue Green and Blue Bonds and Sukuk (“Green Securities”), and Social and Sustainability Bonds and Sukuk (“SDGs Securities”), collectively referred as “Green and SDGs Securities” to fund projects that will deliver environmental and social benefits that support the nation to achieve its 2030 development agenda. Indonesia also engaged UNDP to support the framework development, including in ensuring the alignment with the objectives of the UN SDGs. The first debut of Indonesia’s SDG Bond on September 2021 account for EUR 500 million¹⁰.

Sustainable Finance Roadmap and Green Taxonomy

To encourage private sector involvement, the Financial Services Authority (*Otoritas Jasa Keuangan* or OJK) issued the Sustainable Finance Roadmap Phase 1: 2015-2019 which aimed to increase the understanding and capacity of financial services sector actors to move towards a low-carbon economy. The Roadmap sets forth a detailed work plan for the financial services industry, including the timeline for the development of sustainable finance regulation, sustainable financial products, incentives for financial institutions, and coordination among government agencies. In January 2021, OJK issued the Sustainable Finance Roadmap Phase II (SFR II) which outlines how the financial sector will move towards a more sustainable trajectory over the next few years (2021-2025)¹¹, with Indonesia’s Green Taxonomy as a priority.

On Indonesia’s Green Taxonomy, there are 2,733 sectors and sub-sectors that have been studied, and 919 can be mapped to sub-sectors/groups/business activities and clarified on its threshold by technical ministries. Among the 919 subsectors/groups/business activities, 904 are not yet able to be directly categorized as green sector (as there are prerequisites that must be met first) while the other 15 can be included directly in green category¹².

The Government of the Republic of Indonesia would also like to support The Standing Committee on Finance (SCF) by providing available information on climate-related

¹⁰ <https://www.djppr.kemenkeu.go.id/page/load/3234>

¹¹ <https://ojk.go.id/id/berita-dan-kegiatan/publikasi/Documents/Pages/Roadmap-Keuangan-Berkelanjutan-Tahap-II-%282021-2025%29/Roadmap%20Keuangan%20Berkelanjutan%20Tahap%20II%20%282021%20-%202025%29.pdf>

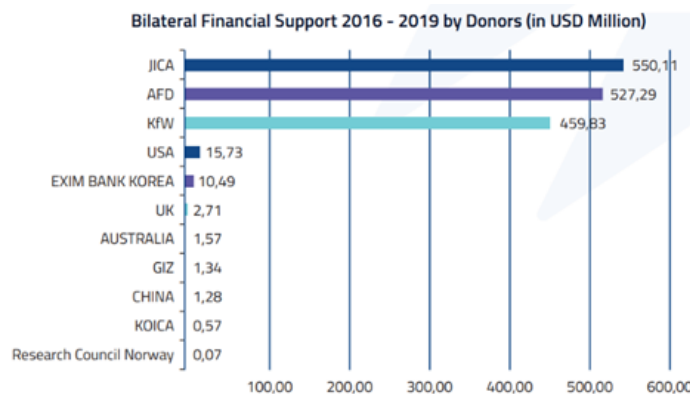
¹² https://www.ojk.go.id/keuanganberkelanjutan/Uploads/Content/Regulasi/Regulasi_22012011321251.pdf

finance flows in the 2019 and 2020 time period, with data from previous years if available, of the following parameters:

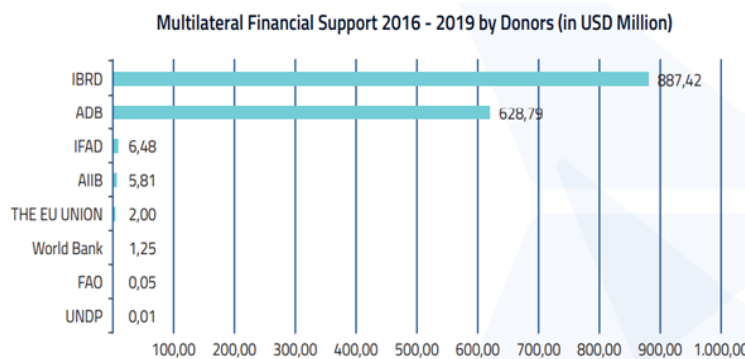
- International climate finance flows

From 2016 to 2019, Indonesia has received USD 3.10 billion from international sources (51% from bilateral and 49% from multilateral cooperation).¹³ As much as 97% of the funding was received as loans; meanwhile, only 3% was in the form of grants. The energy and transportation sectors received 72% of the total amount. Forestry, waste, and agriculture for mitigation received a mere 2%. Of the total international funding received during 2016-2019, USD 2.28 billion was spent on mitigation, USD 427.96 million on adaptation, and USD 392.57 million on cross-sectoral programs. The adaptation sectors include water security, agriculture, water irrigation, marine, and agriculture.

Indonesia received **USD 1.57 billion** in financial support **between 2016 and 2019 from bilateral agreements**, with the highest contribution from JICA Japan, followed by AFD France and KfW Germany. Around USD 1.49



billion was in the form of a concessional loan for six sectors, while USD 76.06 million were received as grants.



The total **financial support** provided based on the realization of **multilateral agreements between 2016 and 2019**

¹³ Indonesia's GCF Country Programme Document, available at: https://fiskal.kemenkeu.go.id/nda_gcf/publikasi/dokumen-country-programme-indonesia-untuk-gcf-2022

was **USD 1.53 billion**¹², with the highest contribution from the IBRD World Bank Group, followed by the Asian Development Bank (ADB). USD 1.50 billion was provided in the form of a concessional loan, while the rest in the form of grants.

The following are funds that Indonesia has obtained under the UNFCCC financial mechanism:

- Green Climate Fund (GCF)

The GCF can potentially contribute to financing climate actions to achieve NDC targets. Until October 2021, the current portfolio of the GCF funding in Indonesia is USD 287.3 million, ranging from 10-20 years.¹⁴ Indonesia already has two direct access Accredited Entities, namely Partnership for Governance Reform/Kemitraan and PT. Sarana Multi Infrastruktur (PT.SMI).

- Adaptation Fund (AF)

Indonesia has had one National Implementing Entity (NIE) to access the Adaptation Fund, namely the Partnership for Governance Reform/Kemitraan. The Adaptation Fund has approved approximately USD 9,7 million for five project adaptation activities in Indonesia.¹⁵

- Global Environment Facility (GEF)

GEF operational focal point in Indonesia is at the Ministry of Environment and Forestry. Below is the total funding received:¹⁶

Trust Fund	Project Type	Number of Projects	Total Financing
GEF Trust Fund (GEFTF)	National	71	USD 356.891.925
	Regional/Global	87	USD 1.158.016.540

¹⁴ Indonesia's GCF Country Programme Document, available at: https://fiskal.kemenkeu.go.id/nda_gcf/publikasi/dokumen-country-programme-indonesia-untuk-gcf-2022

¹⁵ <https://www.adaptation-fund.org/ie/partnership-for-governance-reform-in-indonesia-kemitraan/>

¹⁶ <https://www.thegef.org/projects-operations/country-profiles/indonesia>

	Regional/Glo bal	2	USD 96.966.555
<i>Special Climate Change Fund (SCCF)</i>	National	2	USD 10.000.000
	Regional/Glo bal	0	USD 0

STAR GEF-7 Allocation and Utilization (2018-2022) for Indonesia¹⁷

Focal Area	Allocation	Allocation Utilized	Allocations remaining
<i>Biodiversity</i>	USD 64.589.696	USD 60.000.000	USD 4.589.696
<i>Climate Mitigation</i>	USD 12.043.777	USD 13.215.352	USD - 1.171.575
<i>Land Degradation</i>	USD 2.245.1 66	USD 5.498.718	USD - 3.253.552
Total	USD 78.878.639	USD 78.714.070	USD 164.569

¹⁷ Ibid.

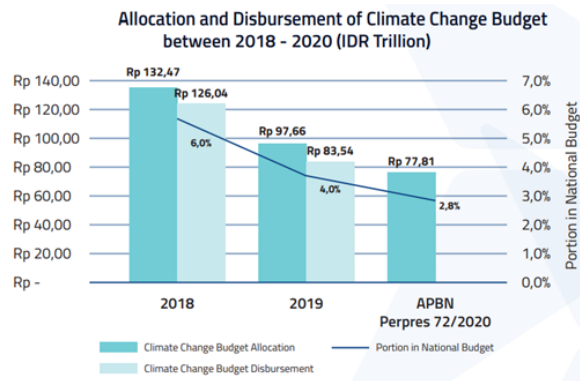
- Domestic climate finance flows, particularly national and subnational climate-related expenditure

In 2014, the Ministry of Finance developed a system to track the national government budget allocated for climate change. The system, known as the Climate Budget Tagging, enables government institutions to identify and assess their climate change-related expenditures. **In the period of 2018 – 2020, the government allocated IDR 307.94 trillion for climate change.**¹⁸

Realization / disbursement of the budget in 2018 reached IDR 126.04 trillion (95.1%), while in 2019 it reached IDR 83.54 trillion (85.5%). The disbursements for the period 2018-2019 were allocated for

mitigation (IDR 129.93 trillion or 62%), adaptation (IDR 66.64 trillion or 31.8%), and co-benefit (IDR 13.01 trillion or 6.2%).

In 2020, most of the budget for climate priorities was reallocated to manage the COVID-19 pandemic. However, the government still allocated IDR 77.81 trillion of its budget for climate action, which shows commitment for low carbon and climate resilience development.



As additional information, at the domestic level, Indonesia also has national climate finance institutions, as follows:

- Indonesia Climate Change Trust Fund (ICCTF): Established in 2009, ICCTF is a funding entity that aims to develop innovative ways to link international financing sources with national climate investment strategies. Created by the Indonesian Government, ICCTF acts as a catalyst to attract private sector investment, leverage public and development partner funds, and implement a range of alternative financing mechanisms to scale up climate change mitigation and adaptation programs. ICCTF focuses on four sectors: land-based mitigation, energy, adaptation and resilience, and also marine-based.

¹⁸ Indonesia's Climate Budget Tagging Report 2018-2020, available at: <https://fiskal.kemenkeu.go.id/files/buku/file/CBT-NATIONAL-2018-2020.pdf>

Among the development partner funds are from USAID, UKCCU, Danida, Worldbank, ADB, and GIZ. Since its inception, ICCTF has managed 88 projects in 114 areas, including 46 land-based mitigation projects, 22 adaptation and resilience projects, 8 energy projects, and 12 marine-based (ongoing) projects. In 2020, ICCTF focuses on the marine-based Coral Reef Management Program.

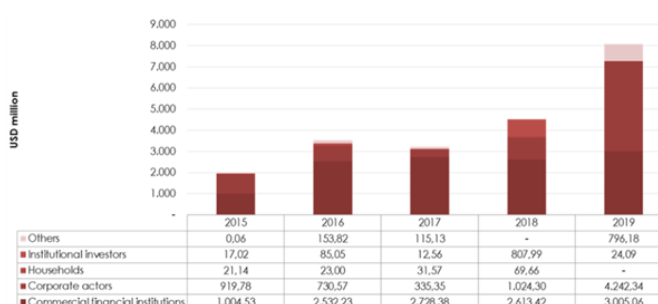
- Indonesia Environment Fund: in 2017, Government Regulation No. 46/2017 was issued to stipulate the use of economic instruments for managing the environment. Then in 2018, the President issued Regulation No. 77/2018 on the Environmental Fund Management Board, or known as the Indonesia Environment Fund (IEF), as a service delivery unit (Badan Layanan Umum) under the Ministry of Finance. IEF has the mandate to manage environmental funds in 13 priority programs based on PMK No. 124/PMK.05/2020: climate change mitigation (including REDD+); sustainable forest management; forest fire control and peatland restoration; social forestry; forest and land rehabilitation; conservation and ecosystem; pollution prevention; industry (increasing industrial competitiveness based on natural resources); waste management (solid, liquid, hazardous); low-carbon technology; energy (renewable energy, energy efficiency); reducing disturbances, threats, and law violations in the environmental and forestry sector; and environmental protection.

IEF can access various sources for its fundraising strategy, including national and local government budget from environmental taxes and retributions, grants, and donations.

- Information on private finance mobilized and foreign direct investments into climate change projects:

It is estimated that the **private sector contributed to USD 21.3 billion of climate financing in Indonesia from 2015 to 2019**¹². The private sector

Indonesia private climate finance over the period of 2015 to 2019



includes commercial financial institutions (FIs), public FIs, institutional investors, corporate actors, households, project developers, and others. Most of the private climate financing was dedicated to mitigation, contributing up to 86% for the past 5 years, dominated by renewable energy (53.3% of total private financing is driven by hydro and geothermal expansion projects) and sustainable transport.
