Climate Finance

Experience from Indonesia

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A. Climate Change and National Development Context
B. Climate Change Financing
C. Next steps
Climate Change and National Development Context
National Commitment

Indonesia became a party to the United Nations Framework Convention on Climate Change (UNFCCC) in Rio in 1992, which was ratified in 1994 through Law no. 6/1994.

At the end of 2009, Indonesia announced its voluntary commitment to reduce Greenhouse Gas (GHG) emission until 26% from Business as Usual (BaU) emission by 2020 and further emissions reductions up to 41% are expected with international support.

Applying green & low carbon development strategy will provide opportunities for the government to achieve High Income Country status by 2033, by planning and managing the environmental risks associated with climate change and the losses and degradation of the country’s natural resources.

In Paris COP-21, Presiden Joko Widodo announced Indonesia’s INDC with new voluntary commitment to reduce Greenhouse Gas (GHG) emission to 29% from Business as Usual (BaU) emission by 2030.

The commitment will be implemented through several ways including effective land use and spatial planning, sustainable forest management, improved agriculture and fisheries productivity, energy conservation, and improved waste management.
Long term development mission, 2005-2025

Vision
"Prosperous, Democratic and Just Indonesia"

Mission
- Continue Development to achieve Prosperous Indonesia
- Strengthen Democratic Pillars
- Strengthen Justice in every aspect of Development

- 2004
  - Pro-poor (poverty alleviation)
  - Pro-jobs
  - Pro-growth

- 2007
  - Adding Pro-environment

- 2019
  - Enhancing environmental quality index

- 2020
  - GHG Emission reduction 26% (+15%)
  - Reduced biodiversity loss

Source: Ministry of Finance & National Planning Agency
Climate Change Financing
### Indicative Costs for Mitigation Action (2010-2020)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Core Actions*</th>
<th>Supporting Actions*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forestry &amp; Peat land</td>
<td>94.654,18</td>
<td>6.955,54</td>
</tr>
<tr>
<td>Energy &amp; Transportation</td>
<td>48.357,89</td>
<td>2.286,10</td>
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<tr>
<td>Agriculture</td>
<td>36.804,07</td>
<td>882,10</td>
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<tr>
<td>Industry</td>
<td>1.000,00</td>
<td>1.290,00</td>
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<tr>
<td>Waste</td>
<td>44.709,33</td>
<td>4.949,52</td>
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<tr>
<td>Others</td>
<td>-</td>
<td>2.129,26</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>225.525,47</td>
<td>18.492,52</td>
</tr>
</tbody>
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*in Billion Rupiah
Indonesia’s Actions towards Sustainable Development

Ministry of Finance’s Fiscal Policy Domain in Climate Financing

Int’l Institutions & Mechanisms
IFI Policies, Global Funds, Carbon Mkts, Debt swaps

Ministry of Finance
Policy Tools Available For Influencing Climate Change Mitigation / Adaptation

By managing
- Investment climate
- Pricing (fiscal) policies
- Direct spending
- Risk and financial mkts
- Sectoral rules & law

Can influence:
- Incentives
- Investments
- Industry
- Int’l $ flows
- Pro Poor Approaches

Financial/Investment Policies
- Invest Climate (attract capital)
- Banking Sector
- Non Bank Finance Inst’s
- Municipal Finance Rules

Taxes / Subsidies
- Tax/Fees/Charges
- Royalties/Rent Capture
- Subsidies/Tax breaks

Expenditure Policies
- Strategic Budget Priorities
- Direct Investment
- Public Service Obligation
- Green Procurement
- Education – Awareness

Direct Regulation
- Enforcement / Incentives
- Zoning and Land Use
- AMDAL/ Env Audit
- Building / Design Standards
- Vehicle Emission Stds

Indirect Influences
Technology Policy, Strategic Industries Tech. Transfer R&D, Trade, dll
Reforming economic and fiscal policies to help Indonesia meet climate change objectives while taking account of equity and Indonesia’s goals to reduce poverty and unemployment

- Green Planning and Budgeting Strategy
- Green Paper: Economic and Fiscal Policy Options for Climate Change Mitigation in Indonesia

To ensure effectiveness of the management and use of climate and development financial resources from domestic and international sources

- Climate Public Expenditure and Institutional Review (CPEIR)
- Development of Budget Tagging and scoring system for climate change mitigation expenditures
- The Landscape of Public Climate Finance in Indonesia
To support climate change programs undertaken by government and non-government entities through catalytic budgeting and fiscal instruments

Provision of program budget and special allocation funds
- Special allocation funds to incentivize climate change actions by local governments at sub-national level (provincial and district/city levels)

Creation of public funds to scale up and leverage climate finance
- Geothermal Revolving Fund
- Energy Efficiency Fund

Fiscal incentives to support development of renewable energy
- Tax Holiday: Exemption or reduction of corporate income tax for pioneer industry (Minister of Finance Regulation No. 192/2014)
- Investment Allowance (Government Rule No. 18/2015)
Next Steps To Strengthen Climate Fiscal Framework
How can we improve...

- Enhance tracking & reporting
- Apply Performance-based Budgeting
- Scale up climate finance
- Scale up to Sustainable Development Financing

- Develop the self compliance for implementors and strengthen the systems for tagging of climate finance in the national and sub-national budget.
- Develop performance indicators for climate activities to measure cost effectiveness.
- Improve administration and reporting of international climate finance so the government can oversee and manage flows through the country system.
- Scale up the tagging and performance-based budgeting for Sustainable Development Goals.
Energy Sector:
- Introduce complementary measures to incentivise energy efficiency and deployment of low-emissions technology, exemplified by a specific geothermal policy strategy.

Land-use change and forestry sector:
- Support regional governments through the intergovernmental fiscal transfer system.

Environment sector:
- Alternative financial mechanisms for environmental protection and biodiversity conservation
Thank You