



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

CLIMATE BUDGET TAGGING AND GREEN SUKUK/ISLAMIC BOND

An Indonesian Experience

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**Sherpa's Meeting
Finance Minister Coalition for Climate Action**

Helsinki, 21-22 February 2019

OUTLINE



INDONESIA'S CLIMATE CHANGE VULNERABILITY AND IMPACT



CLIMATE CHANGE COMMITMENT



CLIMATE CHANGE BUDGET TAGGING (CBT)



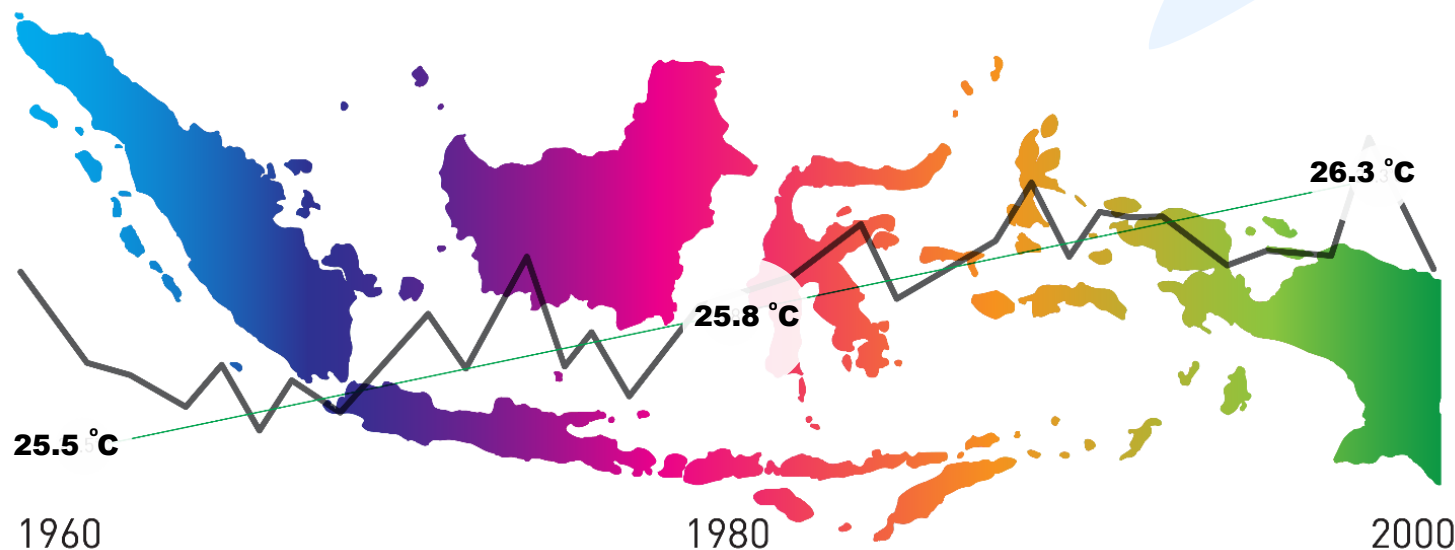
GREEN BONDS & GREEN SUKUK



INDONESIA'S CLIMATE CHANGE VULNERABILITY AND IMPACT

Indonesia has over **17,508 ISLANDS**.
790 million hectares in area

Total coastline length of **95.181 KM**
200 million hectares of land territory

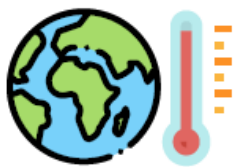


Climate Change is believed to increase the risk for hydro-meteorological disasters, which make up to

80%

of disaster occurrences in Indonesia.

Source: NDC, 2016



Key Hazards in Indonesia

In Jakarta, **17.4% AREA**



Flood

had been affected by flood with **23** deaths & over **65.000** evacuees in January 2014.

Source: ADB Institute, 2016

More than **3.9 MILLION** people in 105 regencies/ cities in Java and Nusa Tenggara experienced drought, in 2017.



Drought

Source: BNPB, 2017



CLIMATE CHANGE COMMITMENT

Governments Commitments and Policy

- 2011 ● **RAN-GRK**
National Action Plan for GHG Emission Reduction
(Presidential Decree No.61/2011)
- 2014 ● **RAN-API**
National Action Plan on Climate Change Adaptation
- 2016 ● **Paris Agreement Ratification**
with Law No. 16/2016

NDC Nationally Determined Contribution

By 2030, Indonesia pledges to reduce **Greenhouse Gases (GHG) emissions**:

29%

Unconditional emission reduction against Business as Usual (BAU) scenario

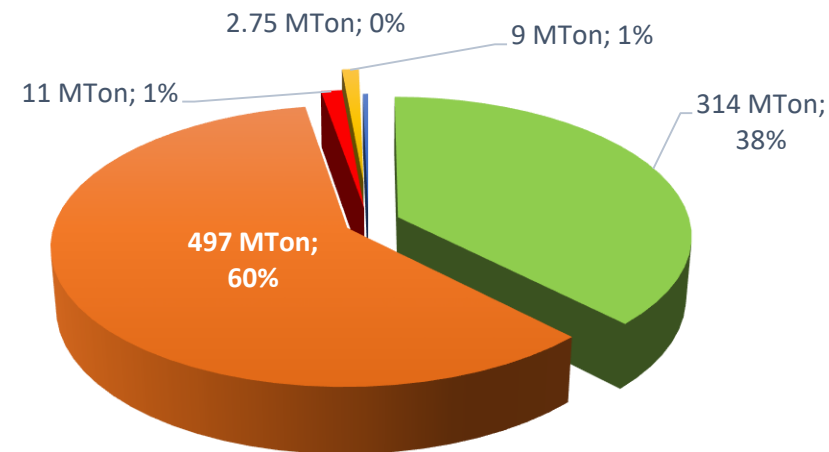
UP TO

41%

Conditional emission reduction subject to international support

and to improve its **Climate Resilience**

CO2 Emission (CO²e) Reduction Targets by 2030



■ Energy ■ Forestry ■ Waste ■ Agriculture ■ IPPU





Indonesia needs \$81 billion to finance climate change mitigation and adaptation actions in 2015-2020

Source: TNC, 2017

The Government of Indonesia has developed and implemented **Climate Budget Tagging (CBT)** since 2016 to track how much the government spending on climate change actions out of the national budget.

WHY CBT?

Supporting green budgeting development in order to prioritize climate change-related investments.

Obtaining data on climate change-related investments will make the public be able to access information on the government's spending, as well as improving accountability.

Supporting policymakers in mainstreaming climate change actions in the national development programs.



LEGAL BASIS

Minister of Finance
Regulation No. 142/2018



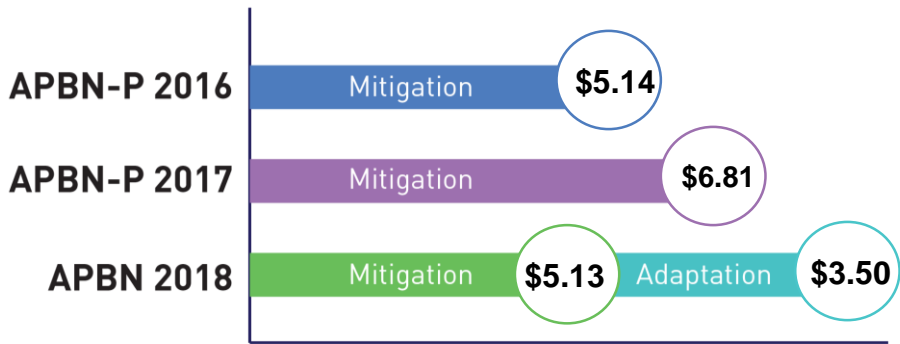
SYSTEM

CBT is integrated into the National Planning and Budgeting system.



CBT RESULTS

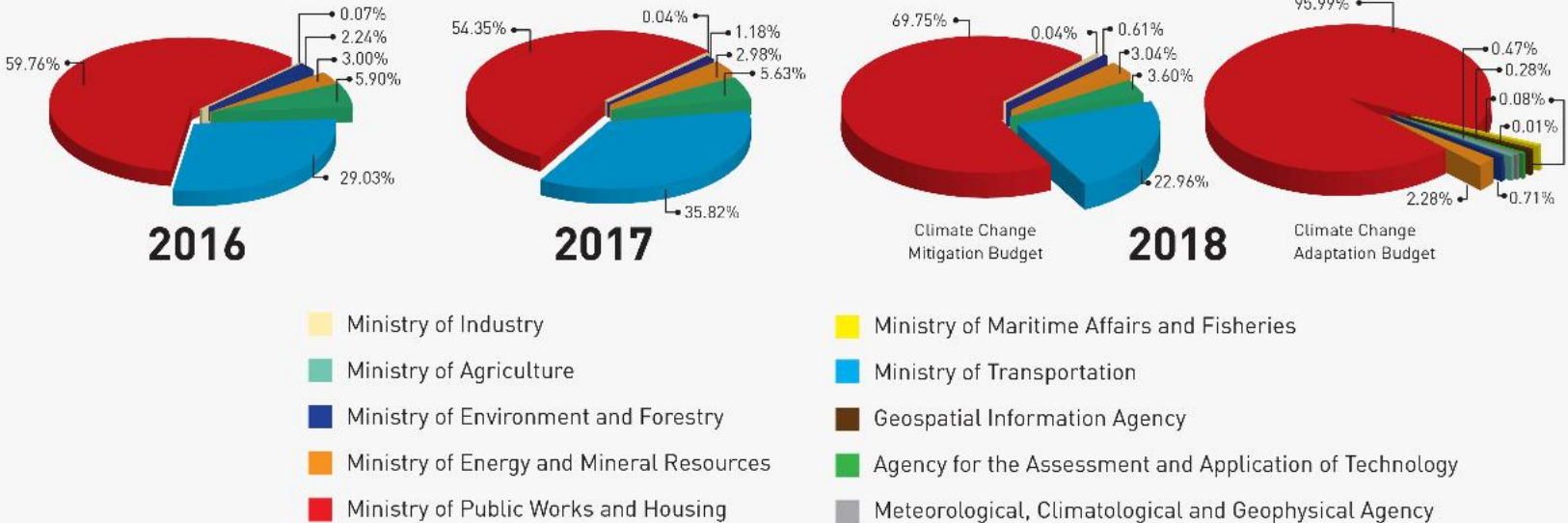
CLIMATE BUDGET ALLOCATION (IN BILLION USD)



	Climate Budget	State Budget	Percentage
APBN-P 2016	\$5.14	\$148.20	3.5%
APBN-P 2017	\$6.81	\$151.80	4.5%
APBN 2018	\$8.70	\$158.00	5.4%

*APBN: State Budget APBN-P: Revised State Budget

RESULTS BY MINISTRY



GREEN BONDS & GREEN SUKUK

INNOVATIVE FINANCIAL INSTRUMENTS



GREEN BONDS are innovative financial instruments where the proceeds are invested exclusively to finance or refinance green projects that generate climate or other environmental benefits, including mitigation, adaptation and biodiversity.

While **GREEN SUKUK/ISLAMIC BOND** added *the Islamic/sharia-compliant requirement*.

Climate budget tagging process has enabled the government to initiate new financial instruments of Green Bond and Green Sukuk. This initiative is aligned with Indonesia's aim to achieve SDGs.



Green bonds market has developed quite rapidly in recent years. Globally there is, up to now, **USD 1.45tn climate aligned bonds with USD 389bn alone in green bond.** (CBI, 2018)



Eligible Sectors

Dark Green



Renewable energy



Resilience to Climate Change

Medium to Dark Green



Waste to Energy & Waste Management



Sustainable Transportation



Green Tourism



Sustainable Agriculture

Light to Medium Green



Sustainable Management of Natural Resource



Energy Efficiency

Light Green



Green Building



INDONESIA GLOBAL GREEN SUKUK

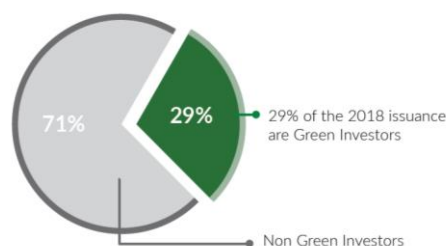
In March 2018, Indonesia issued Green Sukuk

\$1.25 Billion

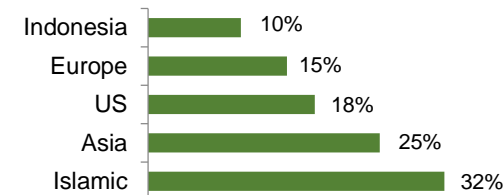
(or IDR 16.75 trillion)

The 5-year Global Green Sukuk is the world's first sovereign green Sukuk.

Green Sukuk Allows Indonesia to tap into a new type of investor.



Distribution by Geography



Green Sukuk 2018 Allocation

Details		Refinancing 2016		Financing 2018	
Objectives	Sectors	Million USD	% of Proceeds	Million USD	% Of Proceeds
Mitigation	Sustainable Transport	\$426.5	34	\$346.3	27
	Waste to Energy and Waste Management	\$92.6	7	-	0
	Renewable Energy	\$80.2	7	\$22.3	2
	Energy Efficiency	\$38.2	3	\$34.9	3
Adaptation	Resilience to Climate Change for Highly Vulnerable Areas and Sectors/DRR	-	0	\$209.8	17
Total		\$637.6	51	\$613.4	49

- ☐ Indonesia has published the 1st Annual Impact Report on Green Sukuk
- ☐ The report is audited by KPMG International, an international independent third-party auditor, in January 2019.

<http://www.djppr.kemenkeu.go.id/page/load/2357>





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