



Financial Instruments and Products to Mobilize Public and Private Finance: Economic Instrument for Environment In Indonesia

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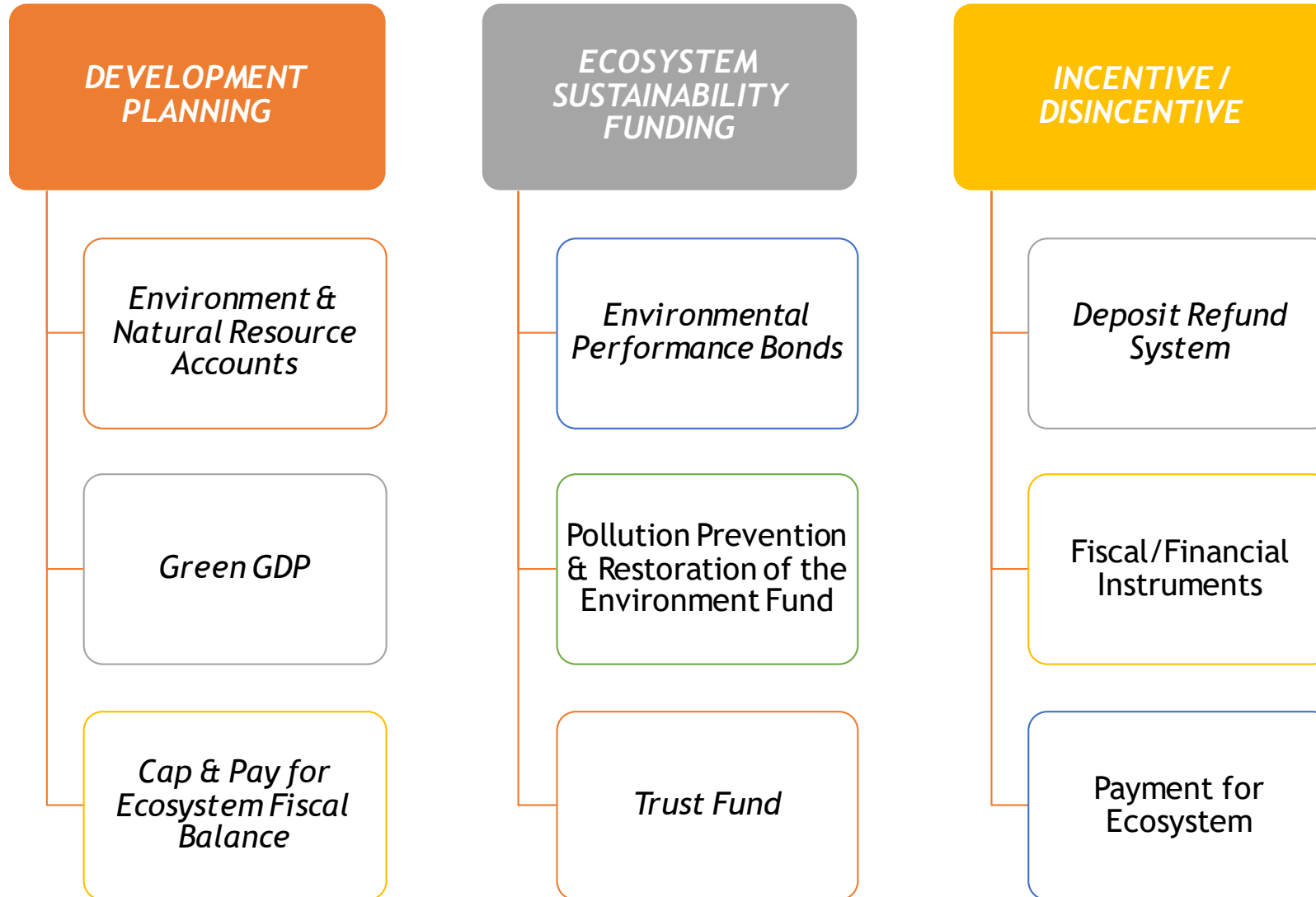
25-26 February 2016

Island of San Giorgio Maggiore, Venice

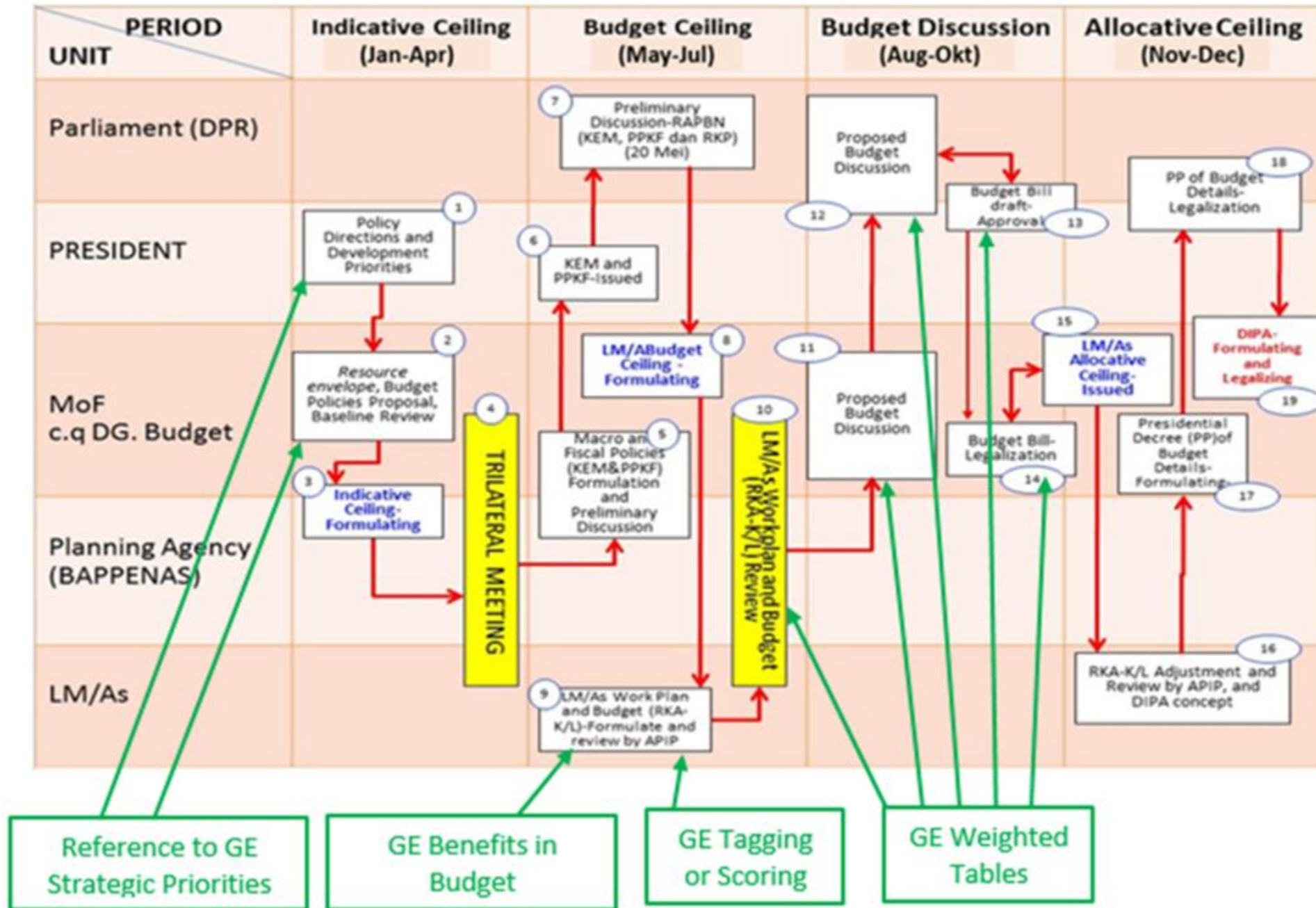
A joint meeting organized by **Climate Policy Initiative** in collaboration with the **World Bank Group, CLP** and the **Organisation for Economic Co-operation and Development**

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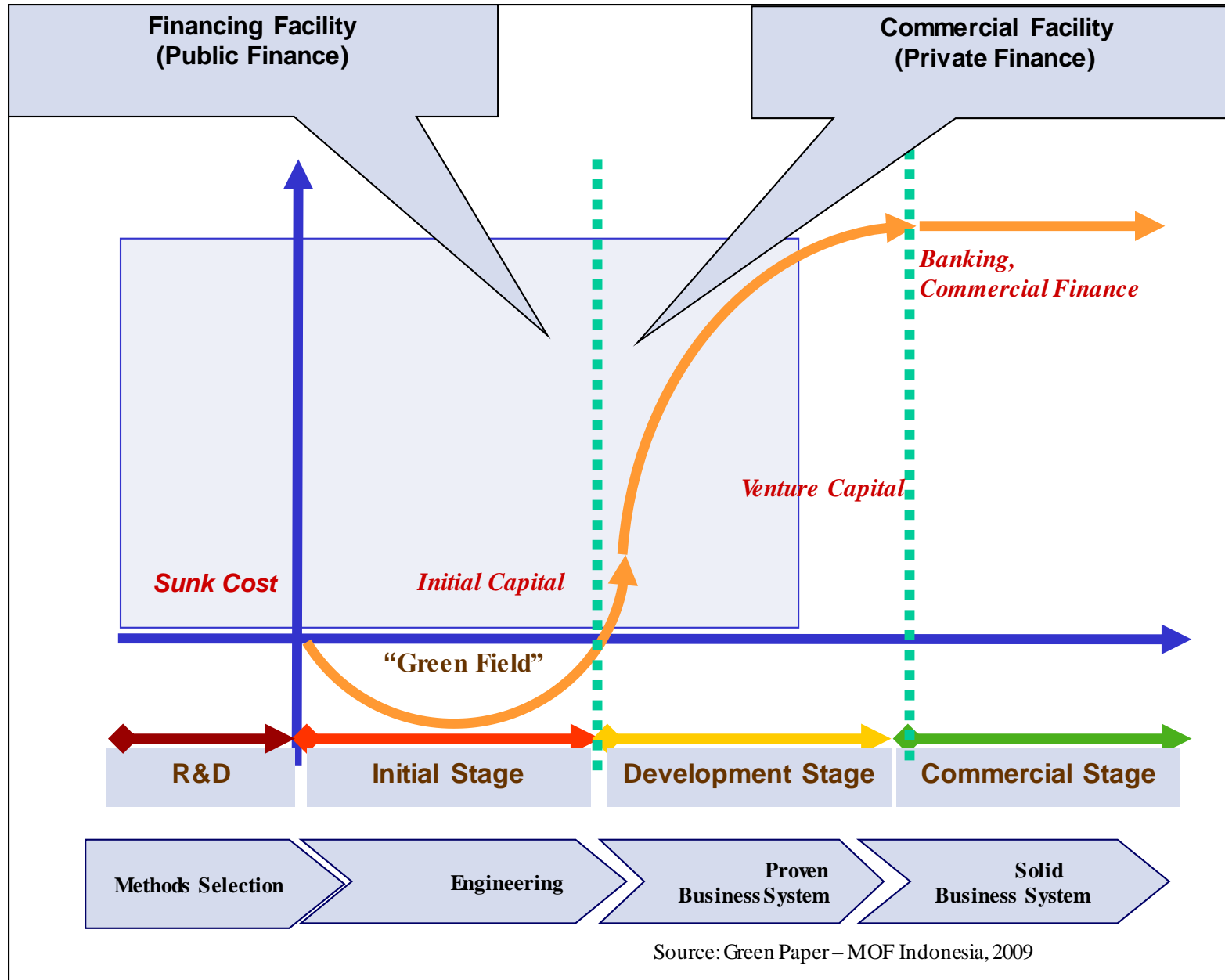
ECONOMIC INSTRUMENTS OF ENVIRONMENT LAW NO.32/2009



I. GPB Program and Instruments to be Prioritised in Budget

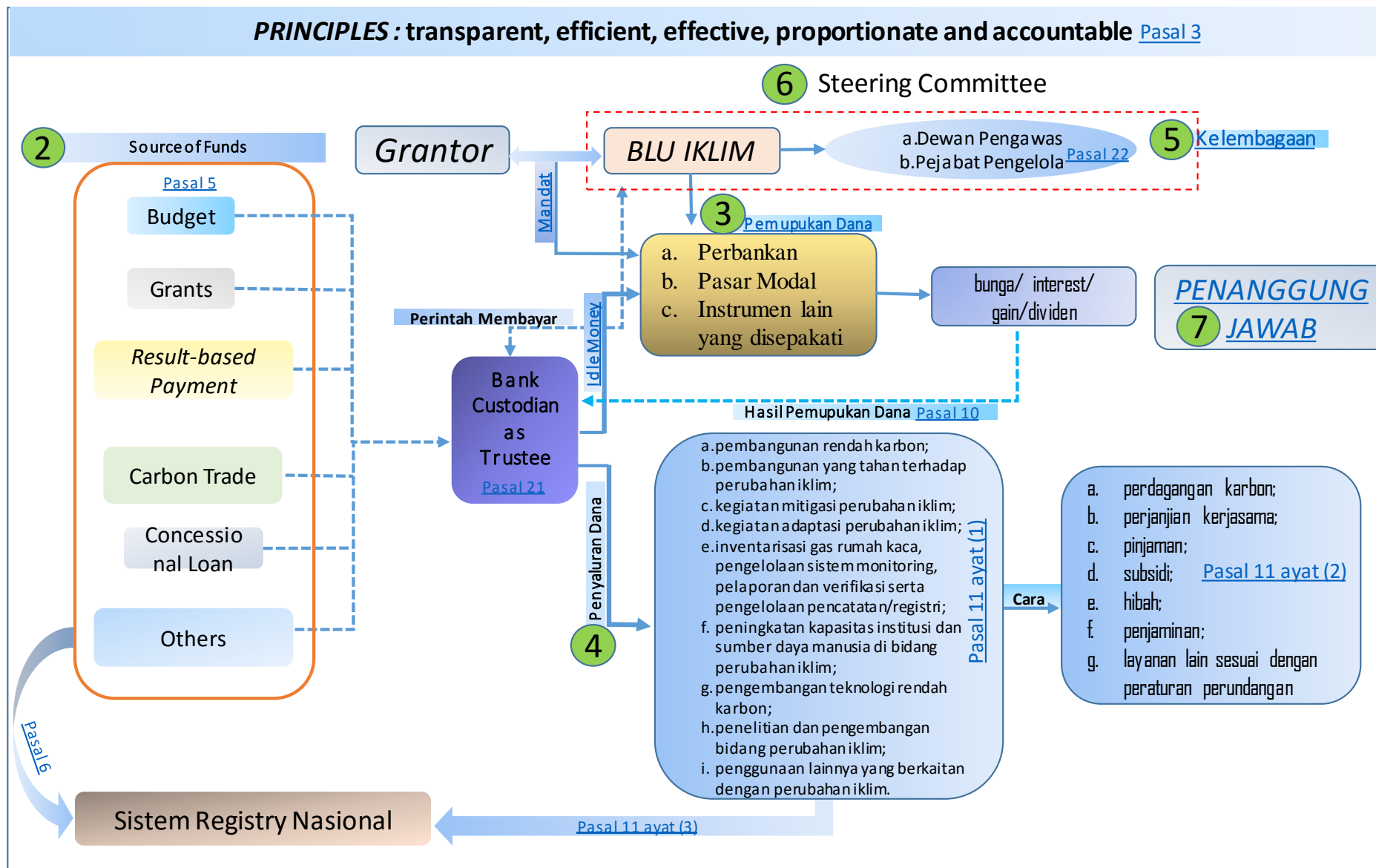


II.a. Policy on Mobilization of Private Finance for Environment

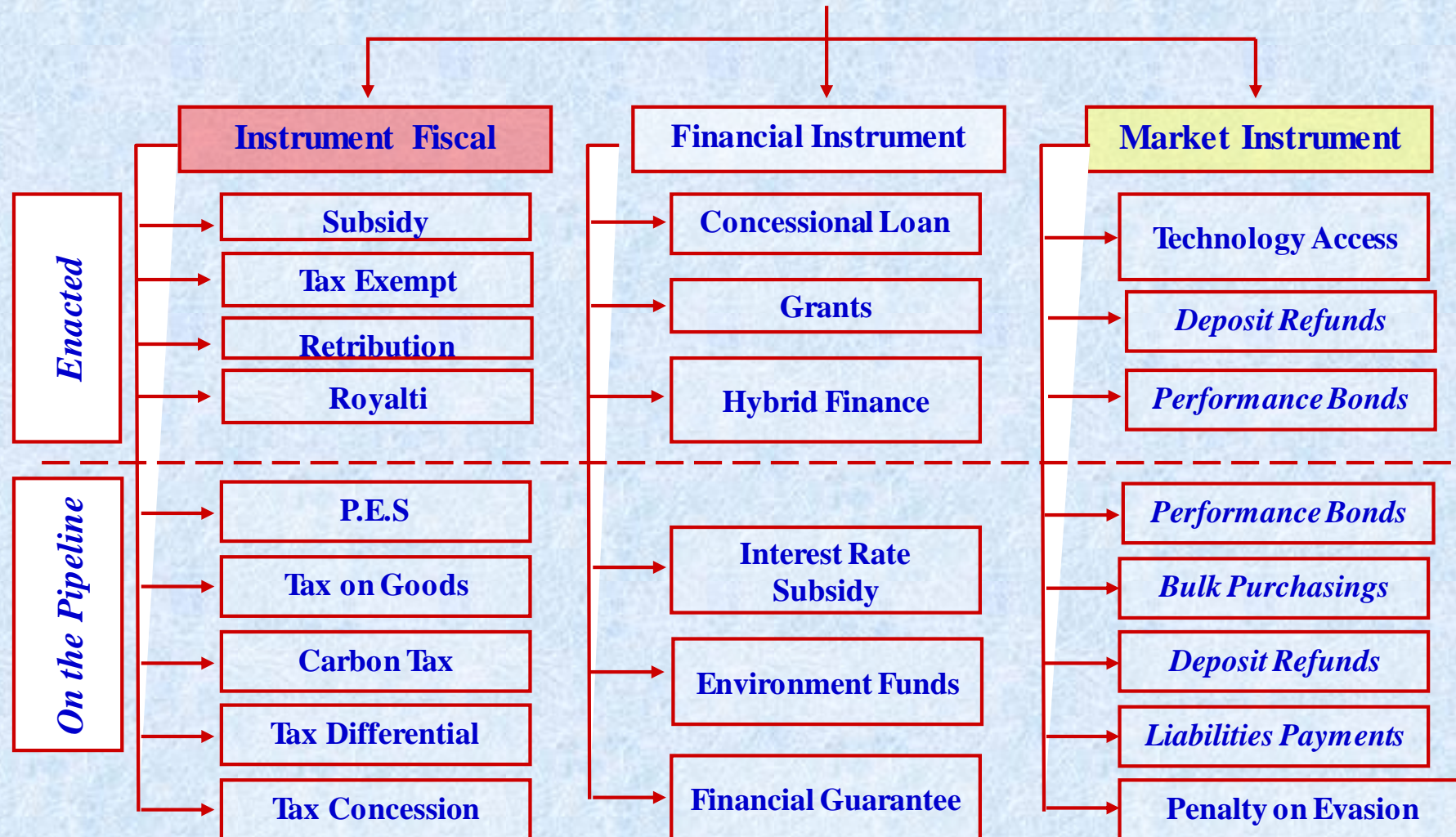


1. Grants.
2. Environment Concessional Loan
3. Bank Credit Access
 - **PBI No 7/2/2005 dan SEBI No 7/3/DPNP**
Asset Quality Rating for Commercial Banks: banks need to pay attention to the efforts made by the debtor to preserve the environment;
 - Pollution Abatement Equipment - Japan Bank International Cooperation (PAE-JBIC)
 - Industrial Efficiency and Pollution Control-Kreditanstalt für Wiederaufbau (IEPC-KfW)
 - Industrial Efficiency and Pollution Control-Kreditanstalt für Wiederaufbau (IEPC-KfW)
 - Environmental Finance for SME;
4. CDM (*Clean Development Mechanism*)
5. PES (*Payment for Environmental Services*)
6. Green Climate Funds (GCF)

II.b. Draft Government Regulation on Climate Finance (RPP Dana Iklim)



III. INCENTIVE SYSTEM FOR ENVIRONMENTAL MANAGEMENT IN INDONESIA



Closing: Guidelines on Policy Formulation for Climate Finance Mobilization

- Policymakers must have a clear understanding of the prevailing economic conditions and the ability to understand the future economic trends □ not be economic distortions
- Prerequisite their legal authority, it must be applied to the legal system to define where and how economic instruments can be applied
- The necessity of a clear institutional □ institutions, human resources and policies
- Need for greater clarity in determining the subject of taxes / levies / dues / compensation, etc. □ based on the type of pollutant, the volume, the level of damage
- A clear use of funds collected □ transparency and accountability

Thank You

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I.a. GPB: Priorities and Instruments to be prioritised in GOVERNMENT workplans

Priorities	Policy Instruments																	
	Direct govt expenditure			Govt to firms, SOEs, C Sos				Via finance institutions			Regulatory controls and promotion							
	Investment budget	Recurrent budget	Special allocations (Prov/Dist)	Grants (investment/services)	Operating subsidies (eg VGF)	Data/information	Tax incentives	Interest rate subsidies	Loan guarantee	Loanable funds	Licenses	Price controls (incl. FITs)	Quotas	Regulating quality	Regulating practices	Regulating governance	Corp. social responsibility	Clarity/public awareness
Natural Resources Protection																		
Forest protection																		
Peatland rehabilitation																		
Coral protection																		
Agriculture																		
CC adapted crops																		
Plantation crops (esp oil palm)																		
Irrigation																		
Energy and Industry																		
Energy and resource efficiency																		
Renewable energy																		
Resource efficiency																		
Fuel pricing																		
Large scale power																		
Sustainable mining																		
Corporate social responsibility																		
Transport and Urban Planning																		
Public transport																		
Waste																		
Climate proofing roads/bridges																		
Regional infrastructure																		
Health																		
Green education																		
CC sensitive health services																		
Supporting Policies																		
Disaster reduction/management																		
GE coordination and M&E																		
	= MOF																	
	= Bappenas																	
	= Line ministry/agency																	
	= province/municipal/local																	
	= private																	

- MoF:
 - Budget guidelines for Line Ministries requiring GE smart budget proposals
 - Apply GE tagging/scoring system and weighted tables
 - Prepare GPB Annual Report
- Bappenas:
 - Provide Guidelines for GE smart development expenditure
- Line Ministries:
 - Prioritisation of Top 21 policies/programmes, plus any new GE related priorities
 - Move towards using higher leverage instruments
- Sub-National Authorities:
 - Apply and implement GE policies & programmes

Landscape of Environmental Economic Instruments & Climate Finance Policy Indonesia

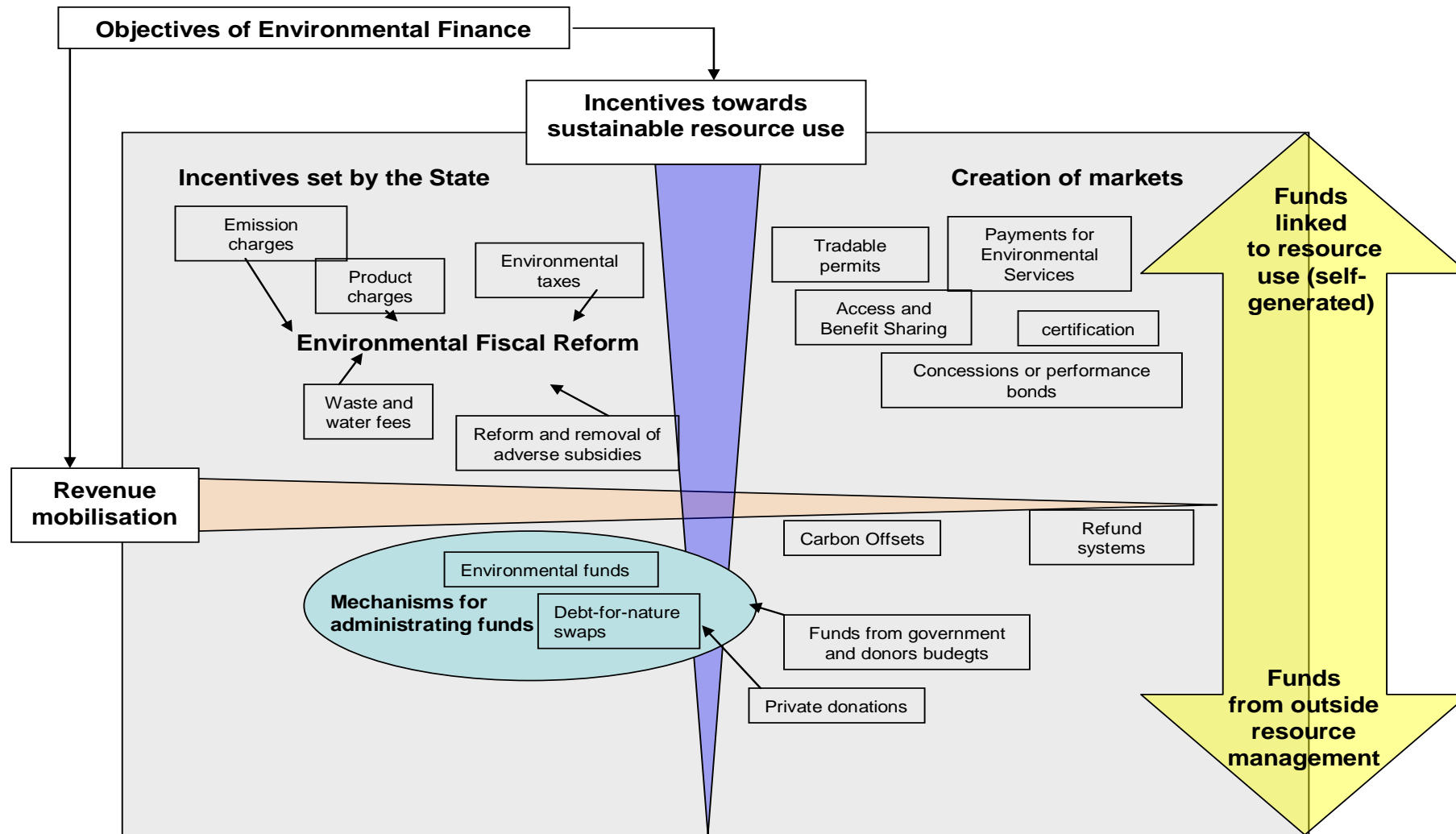


Diagram based on Emerton, L. et al. (2006) Sustainable Financing of Protected Areas, IUCN and Fischer, A. / Petersen, L. / Hubbert, W. (2004): Natural Resources and Governance: Incentives for Sustainable Resource Use, GTZ).

15:45 – 17:15 Panel: Finance, Risk and Vulnerability

- Agribusinesses and corporations have begun to recognize their exposure to climate change risks in their supply chains and business operations. Building the business case for change includes understanding physical, financial and technical risks and vulnerabilities on one side, amid growing calls for traceable and sustainable supply chains. A growing number of corporations have announced ambitious commitments to increase sustainability and improve livelihoods. However implementing these can be challenging and expensive, and often involves integrating highly diverse groups of small holders into business operations.
- Panelists will discuss how new financial instruments and products can blend public and private finance in ways that can help to:
 - share risks and costs across multiple stakeholders,
 - reduce negative environmental impacts and
 - improve agricultural productivity.
- Chair: Jane Wilkinson, Director, Climate Policy Initiative
- Panelists:
 - David Bresch, Head Business Development GP and Director, Global Partnerships, Swiss Re
 - Annette Detken, Head of Division Competence Center, Financial Sector, KfW Bankengruppe
 - Joshua Sawislak, AICP, Global Director of Resilience, AECOM
 - Kindy Rinaldy Syahrir, Head of International Cooperation and Climate Change Financing Unit, Ministry of Finance, Indonesia