



**THE MINISTER OF FINANCE REMARKS ON THE HIGH LEVEL DIALOGUE  
GREEN CLIMATE FUND (GCF)  
PRIVATE INVESTMENT FOR CLIMATE CONFERENCE 2020**

**[Acknowledgement Notes]**

I have the honor to deliver this remarks on behalf of the President of the Republic of Indonesia, His Excellency Joko Widodo.

Excellency Macky Sall, President of Senegal,

Excellency Amina J. Mohammed, Deputy Secretary-General of the UN,

Chair of the Event, Mr. Yannick Glemarec, Executive Director of the GCF,

Colleagues, Joseph E. Stiglitz, Professor, Columbia University,

Colleagues, Christiana Figueres, Founder of Global Optimism,

Distinguished participants,

Ladies and Gentlemen,

**[Opening]**

I would like to start by expressing my condolences and sympathy to those who have been impacted by the COVID-19 pandemic. The pandemic has set us back several years on the various development agenda the world has set out to achieve under the Sustainable Development Goals. IMF Report suggested that the pandemic has managed to force the global economy to suffer a 4.4% contraction.<sup>1</sup> In Indonesia, our

economic growth for 2020 is estimated to be between -1,7% to -0,6%, where we experienced a contraction of 5.3% in the second quarter.<sup>2</sup> Our poverty rate has also risen to 9.78%.<sup>3</sup> Furthermore, it is estimated that up to 5.23 million people will lose their job due to the pandemic in Indonesia<sup>4</sup>.

This, however, should not be a reason for us to revert to business as usual. Despite all the hardship it brings, the pandemic has provided us with a chance to transform the economy. I believe that the implementation of green recovery will be the driver for the world's economic transformation. Indonesia has been, and will continue to be, committed to reducing our carbon emission in addition to achieving a climate resilient nation.

### **[Green Economic Recovery]**

This crisis has put the issues of environment, climate change, and resilience to the center. Climate change has raised the possibility of an outbreak of diseases, causing pandemic and public health crises similar or even worse to what we are experiencing now.

Therefore, the importance and benefits of promoting a sustainable, green economy today to support future economic growth are becoming more viable. Policy makers should thus look closely at recovery packages from the perspective of long-term strategies that builds the economy in a more sustainable way taking into account a just transition in the process.

Prior to the pandemic, Indonesia has laid the foundation for green economy and made several climate-related strategic policies. Climate change has been mainstreamed into the National Mid-Term Development Plan 2020-2024 within the broader strategy of Low Carbon Development Indonesia (LCDI).

On the financing side, the Government has issued the Sovereign Global Green Sukuk annually since 2018 totalling USD 2,75 billion. The net proceeds were allocated to finance sustainable transportation, for instance double track railway and energy efficient vessels; flood mitigation in highly vulnerable areas; access to energy

from renewable sources; waste management, and; energy efficiency projects across the country. Those projects are expected to reduce around 8.9 million CO<sub>2</sub>-equivalent emissions.<sup>5</sup> The Government has also issued the world's first Green Sukuk Retail in 2019 with a total investment of roughly USD 100 million.

To deal with the pandemic, Indonesia has allocated USD 47.9 billion<sup>6</sup> for fiscal stimulus measures in which 29% of it goes to social protection schemes while 42% goes to tax incentives, credit, and stimulus for small and medium enterprises, state-owned enterprises and corporations. The stimulus also includes funding for labor-intensive green projects such as the mangrove restoration project covering 15.000 hectares and employing roughly 25.000 peoples in coastal areas.

### **[Call for Private Sector's Involvement]**

I would like to highlight the fact that climate financing, for every developing countries, has always been a big issue. Our Second Biennial Update Report in 2018 stated that Indonesia requires at least USD 247.2 billion or around USD 19 billion per year to achieve its Nationally Determined Contribution (NDC) target by 2030. In the last 5 years (2016-2020), Indonesia has been able to fund around 34% of its annual national climate finance needs.

In order to fill this 66% financing gap, it is imperative for Indonesia to crowd-in private finance. The private sector holds a key role in the development and implementation of climate projects due to their sector-specific expertise, technology, efficiency, financing, and entrepreneurship.

However, we must acknowledge that there are still various risks and challenges for the private sector, such as regulatory barriers and undeveloped financial markets.

Thus, it falls upon the Government to provide favorable policy and regulatory framework for the private sector. Indonesia has provided various fiscal incentives to enhance low-carbon development including the Geothermal Fund to deal with exploration financial risk. Moreover, the Government is currently in the process of

drafting two Presidential Regulations on Carbon Pricing and on Purchasing Price for Renewable Energy Generation.

Various innovative private-public partnership schemes are continuously being developed to further support the private sector. One of them is the utilization of blended finance through the establishment of 'SDG Indonesia One' and the Environmental Fund Management Agency (BPDLH). Additionally, Indonesia has established the Sustainable Finance Roadmap which requires financial institutions to increase their portfolios on green projects. Finally, just recently, Indonesia has enacted the Omnibus Law on Job Creation which is intended to provide a legislative framework to promote economic development, trade, and investment while balancing out environmental concerns.

Aside from the Government and private sector, the international community plays a key role to mobilize climate finance. To support developing countries' commitments and efforts, developed countries must renew and fulfill the commitment of providing USD 100 billion per year by 2020 as pledged at the 15<sup>th</sup> Conference of the Parties in 2009.

That being said, the Green Climate Fund has shown its commitment to assist developing countries, including Indonesia, to mobilize funds for their climate projects. Particularly, the Government of Indonesia would like to appreciate the contribution of the GCF for the recently approved REDD+ Results Based Payment (RBP) worth USD 103.78 million.

The RBP fund will be used to improve the livelihood of communities living inside or around forest areas through two main activities: Firstly, strengthening the Forest Management Units on forest restoration and business activities that will catalyze private investments in the forest products' value chain. Secondly, enhancing the social forestry programme to ensure communities' livelihood while preserving the forest. As a side note, the Government has run social forestry schemes since 2015 covering 12.7 million hectares which belong to the local community.

Given its important role, we urge the GCF to continue and enhance its great progress and strengthen its investment portfolio. Together with the private sector, including national banks, we encourage the GCF to further develop innovative financing instruments that can boost climate investments and make green, resilient, and inclusive recovery a reality.

### **[Closing]**

As a closing note, I would like to re-emphasize that Indonesia, in the face of the global pandemic, remains firm on its climate commitments. An inclusive green recovery will carry us through to build back stronger. This is how we should, and will, address the twin challenge of COVID-19 and climate change.

The Government of Indonesia is very committed and stands ready to work together with the private sector, as well as the GCF and other international climate finances, to achieve sustainable green recovery.

Finally, it is my belief that, together, we can recover from the global pandemic while at the same time further progressing the fight against climate change.

Thank you.

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**Total word count: 1240**

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<sup>1</sup> International Monetary Fund, <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>

<sup>2</sup> Badan Kebijakan Fiskal, <https://fiskal.kemenkeu.go.id/publikasi-cetak/tekf/2020/tekf3/files/TEKF%20Edisi%20III%202020.pdf>

<sup>3</sup> Badan Pusat Statistik, <https://www.bps.go.id/pressrelease/2020/07/15/1744/persentase-penduduk-miskin-maret-2020-naik-menjadi-9-78-persen.html>

<sup>4</sup> Badan Kebijakan Fiskal, <https://fiskal.kemenkeu.go.id/baca/2020/06/23/114612205903318-pemerintah-perkiraan-pertumbuhan-ekonomi-indonesia-membaik-di-tahun-2021>

<sup>5</sup> Ministry of Finance, Green Sukuk Allocation and Impact Report, March 2020

<sup>6</sup> IDR 695.2 Trillion, USD1 = IDR 14,500