



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA



GREEN SUKUK: INNOVATIVE FINANCING SCHEMES

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Management

Second Meeting of the Infrastructure Financing and Public-Private Partnership Network of Asia and the Pacific
Manila, The Philippines 7 to 9 August 2019

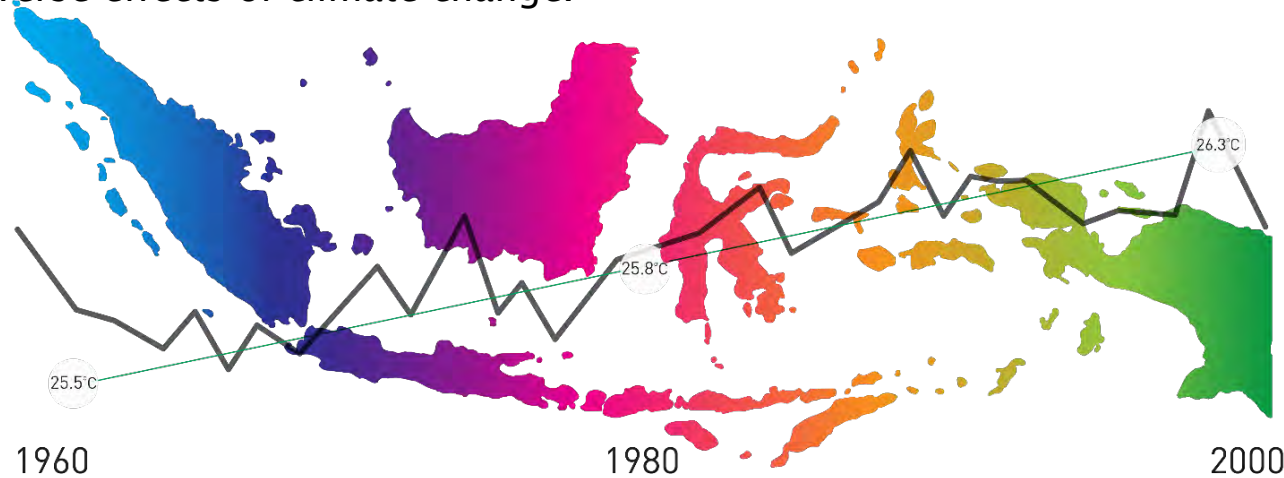


INDONESIA'S CLIMATE CHANGE

Vulnerability and Commitment

INDONESIA VULNERABILITY AGAINST CLIMATE CHANGE

Indonesia is the largest archipelagic country in the world consisting of more than **17,508 ISLANDS**. Covering an area of around **790 million hectares** with a total coastline of **95,181 KM** and land area of around **200 million hectares**. Therefore, Indonesia is **very vulnerable** to the adverse effects of climate change.



Data collected on average temperature variations in all regions of Indonesia over the past few years shows a trend of increasing temperature levels.

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



Flood

In Jakarta

17.4% AREA

of had been affected by a flood with **23 deaths** & **over 65,000 evacuees** in January 2014.

Source: Asian Development Bank Institute, 2016



Drought

More than

3.9 MILLION

people in 105 regencies/cities in Java and Nusa Tenggara experienced drought, in 2017.

Source: BNPB, 2017

INDONESIAN COMMITMENTS TO CLIMATE CHANGE AND FUNDING NEEDS

GOVERNMENT OF INDONESIA COMMITMENTS TO COMBAT CLIMATE CHANGE

- 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

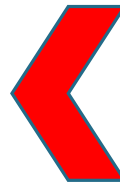
and to improve its **Climate Resilience**

There is a **financial gap** between the funding needs and funding sources currently available to support the Indonesian Government's commitment to finance climate change activities.



The source of funding allocated for mitigation and adaptation actions from 2015 to 2019 is \$55.1 billion

Source: NDC,2017



Estimated costs for climate change mitigation and adaptation action activities for 2015–2020 is \$ 81 billion

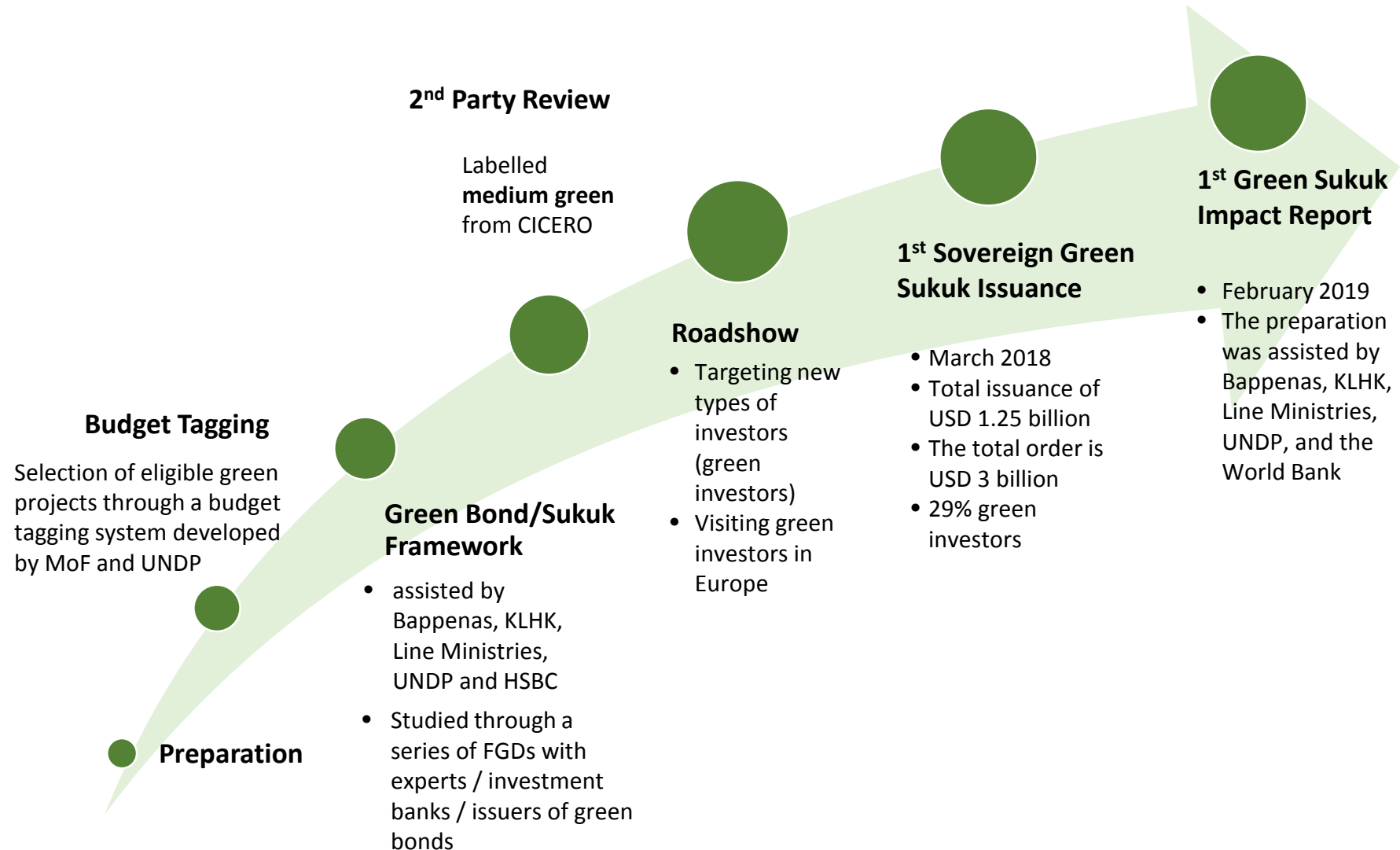
Source: TNC,2017



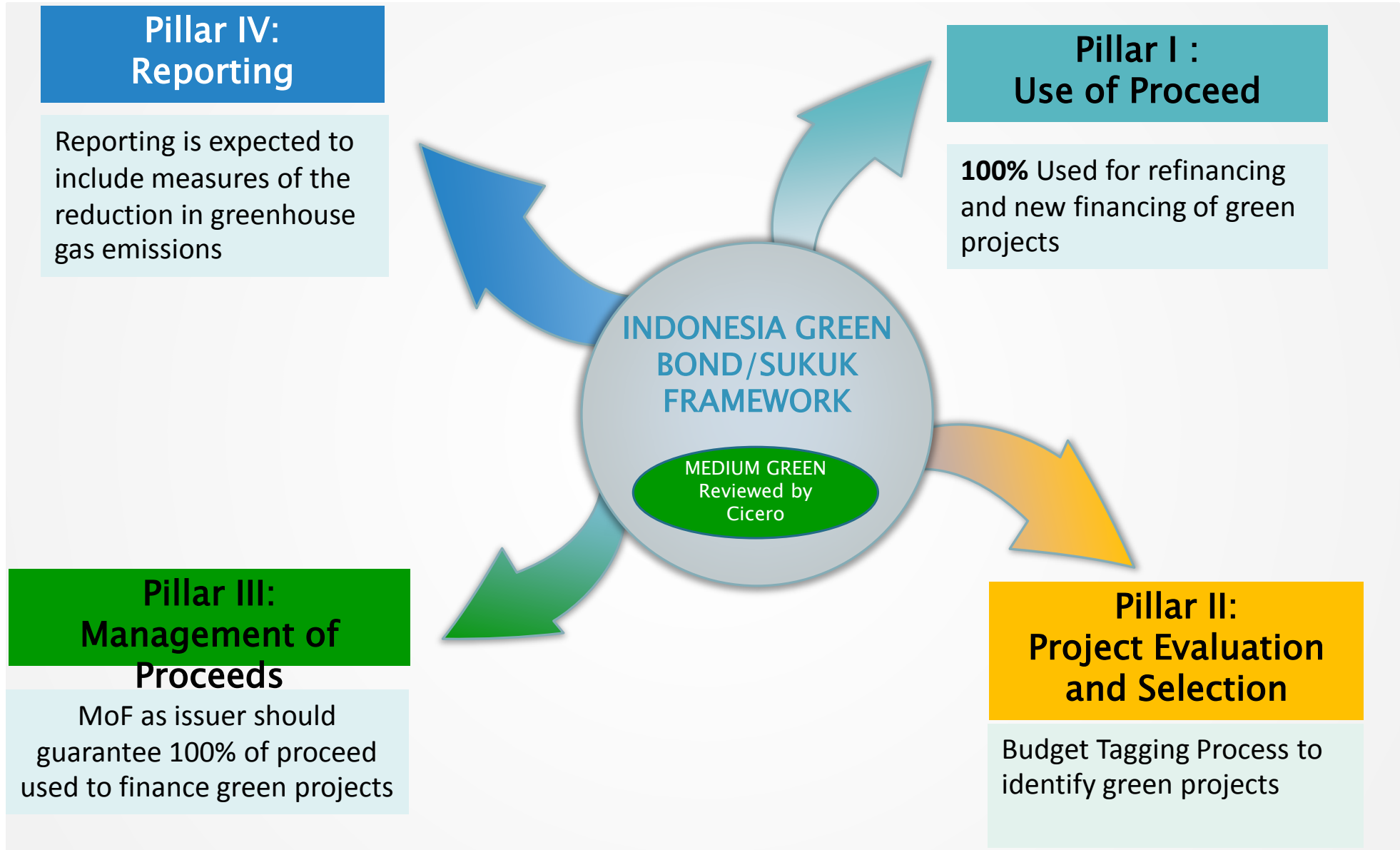
GREEN SUKUK ISSUANCE

Process and Results

PROCESS OF GREEN SUKUK ISSUANCE



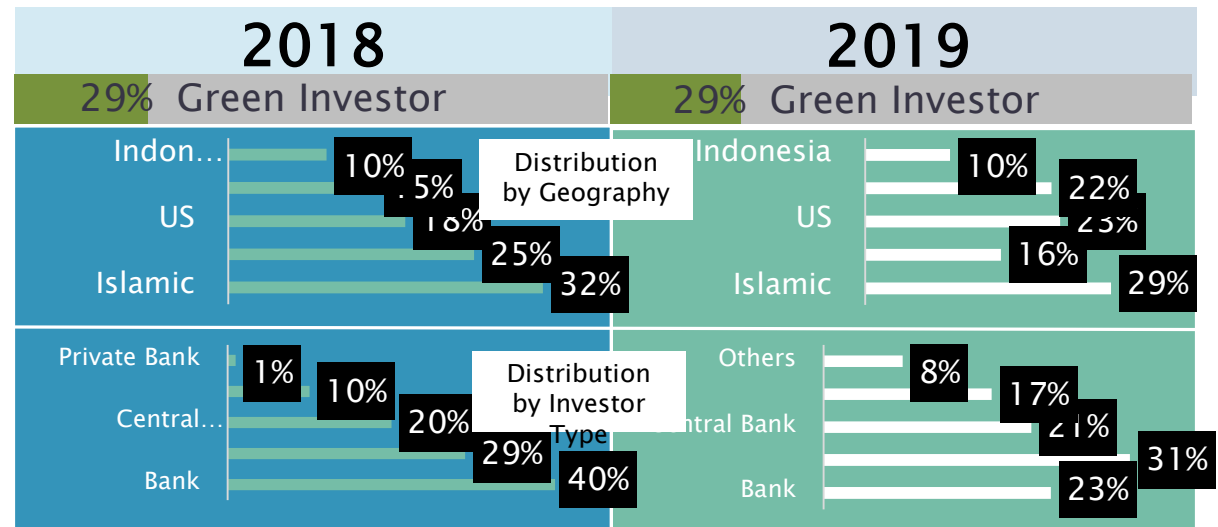
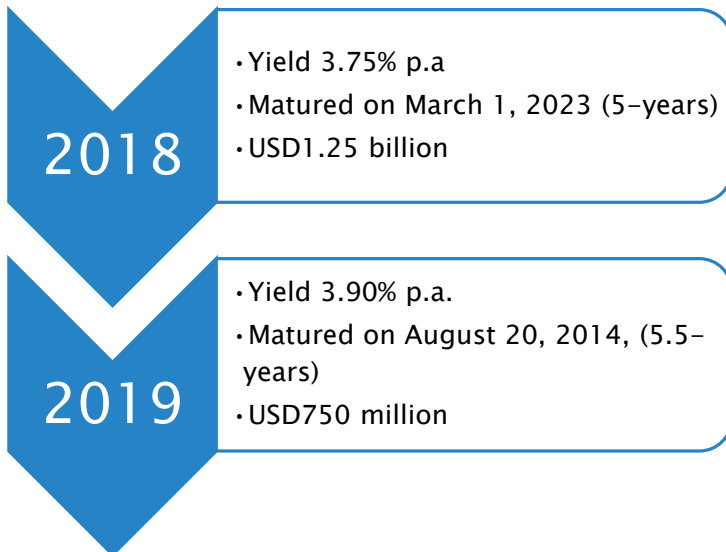
ROI GREEN BOND/SUKUK FRAMEWORK



ROI SOVEREIGN GREEN SUKUK

Green Sukuk is a shariah-compliant bond, where 100% of the proceeds exclusive go to finance or refinance green projects that contribute to mitigating and adapting of climate change.

9 ELIGIBLE GREEN SECTORS
According to Green Framework





1st IMPACT REPORT


1ST GREEN SUKUK REPORT



- Published in February 2019, less than one year from the issuance of Green Sukuk in March 2018.
- Proceeds from Green Sukuk support the achievement of SDGs



- Audited by KPMG, the results stated that the process and allocation of Green Sukuk were in accordance with the ROI's Green Framework



Independent Limited Assurance Report

Based on the evidence we obtained from the procedures performed as described in the *Our Responsibilities* section of our report, nothing has come to our attention that causes us to believe that:

- (a) the Ministry's assertion that the Processes were suitably designed and implemented in accordance with the Management of Proceeds and Reporting requirements of the ROI Framework is, in all material respects, not fairly stated; and
- (b) the amounts of Green Sukuk proceeds allocated to Eligible Green Projects contained in the Report are not prepared and presented, in all material respects, in accordance with the Management of Proceeds and Reporting requirements as set out in the Framework.

Total **23**
National Green Project
funded by 2018 Green
Sukuk



727 km
Construction of double
rail lines on the North
Coast of Java



121 unit
the construction of
solar, mini-hydro and
micro-hydro power plants

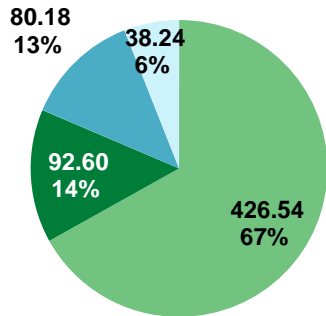


3.4 Mio FAMILIES
benefited from
the Waste
Management System
project

UNDERLYING USE OF PROCEEDS – GREEN SUKUK 2018

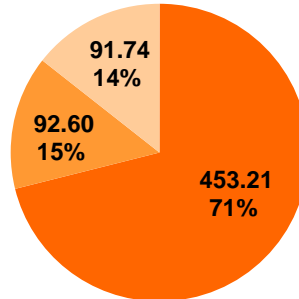
Refinancing existing green projects (2016):
USD 637.55 Mn

By Sector (USD Mn):



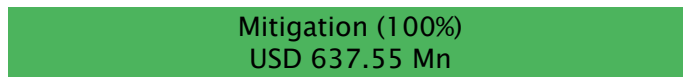
- Sustainable Transport
- Waste to Energy and Waste Management
- Renewable Energy
- Energy Efficiency

By Ministry (USD Mn):



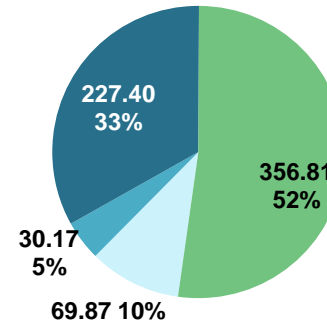
- Ministry of Transportation
- Ministry of Public Work and Housing
- Ministry of Energy and Mineral Resources

By Objectives:



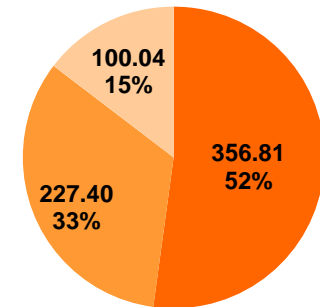
Financing new green projects (2018):
USD 684.25 Mn*

By Sector (USD Mn):



- Energy Efficiency
- Renewable Energy
- Resilience to Climate Change for Highly Vulnerable Areas and Sectors/Disasters Risk Reduction
- Sustainable Transport

By Ministry (USD Mn):



- Ministry of Transportation
- Ministry of Public Works and Housing
- Ministry of Energy and Mineral Resources

By Objectives:















Source: Green Sukuk Issuance, Allocation and Impact Report dated February 2019

*Any committed (realisation) amount exceeding the Green Sukuk proceeds is financed by other sources of fund available in the general treasury account

PROJECT LIST: GREEN SUKUK 2018

Samples of Green Projects

No	Sector	Project Name	Amount Committed (in IDR)	Impact	Project Owners	Project Year
				Mitigation (Annual GHG Emission Avoided, in CO2e)		
1		Energy Infrastructure Development through Utilization Renewable Energy	785.5 Bio	13,044.474 tonnes		2016
2		Application of Clean and Efficient Energy Technology	155.02 Bio	9,988 tonnes		2016
3		Construction of Aid to Navigation Facilities	304.3 Bio	141,800 tonnes		2016
4		Improvement of Municipal Solid Waste Management System at City-scale	1,126.8 Bio	tbd		2016
5		Construction of surface irrigation networks authorized by the Central Government	3,736.8 Bio	tbd		2018
6		Operation of Double Track Railways in Java's North Path	1,528.5 Bio	0.566 MT		2016



Ministry of Energy and Mineral Resources



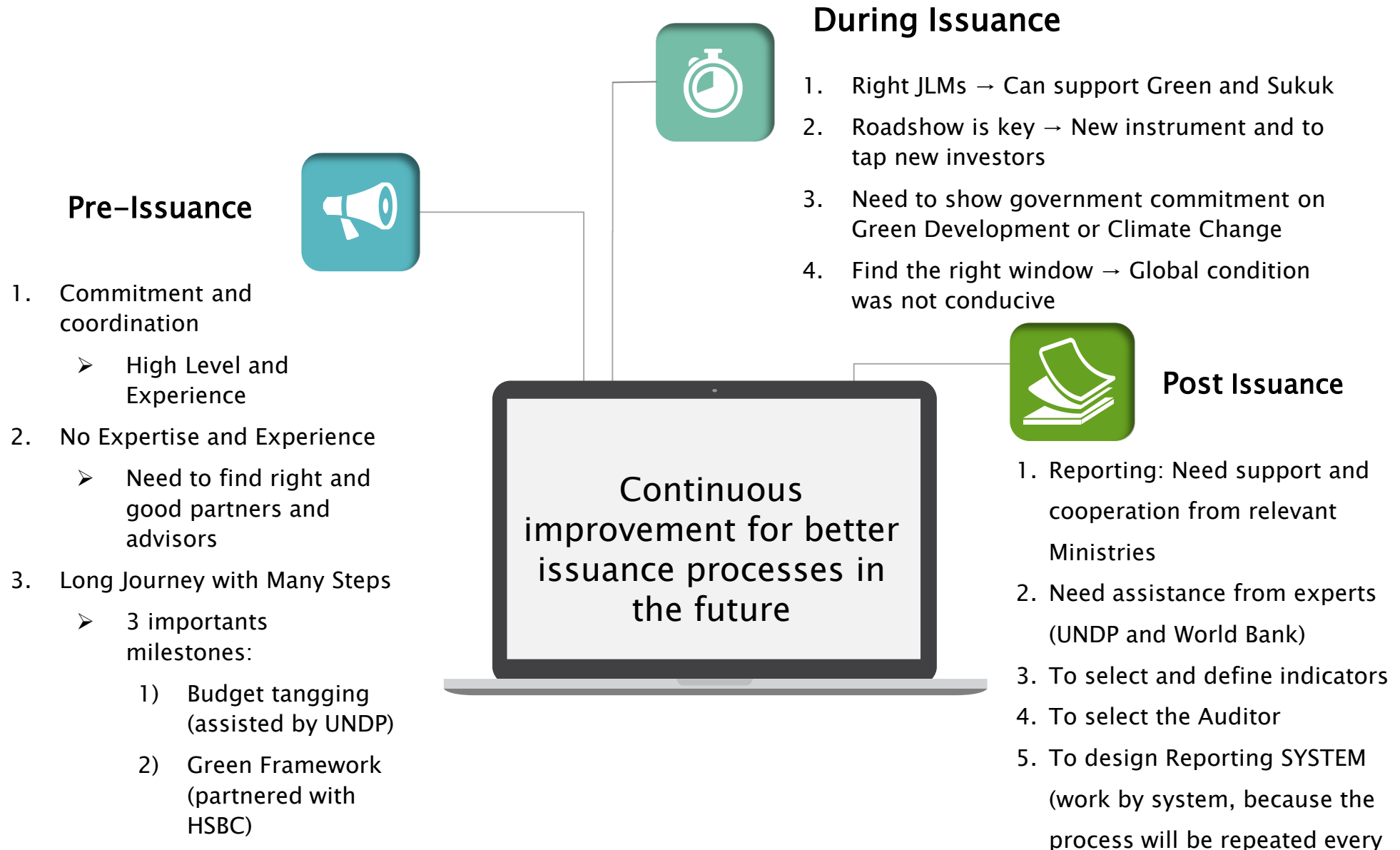
Ministry of Transportation



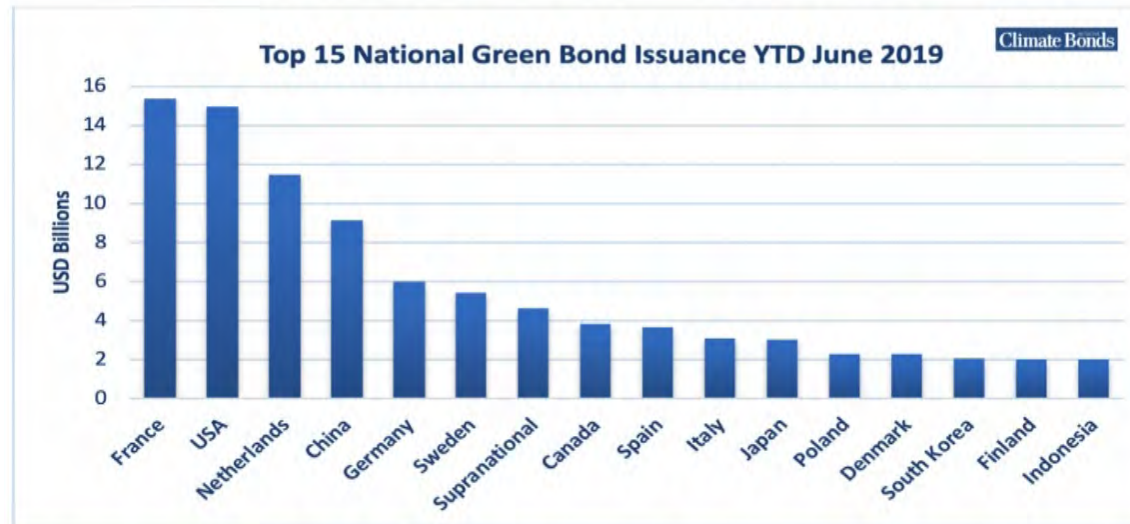
Ministry of Public Work and Housing

LESSON LEARNED

Continuous improvement for better issuance processes in the future



GOING FORWARD



Indonesia is at the top 15 countries of Green Bond issuance. More commitment is needed for Green Bond Issuance not only from the Government, but also from Private sector and SOE's



Continue to issue Global Bond in green format in the future, either Green Sukuk or Green Bond



Continue to innovate, to look for new and innovative instruments and to diversify risks such as thematic bond and other Sustainable and Responsible Investment (SRI) instruments. For example, SDG bond and Waqf-Link Sukuk.



Championing and encouraging more issuance of new creative and innovative financing instruments, including from private sector and SOEs.



KEMENTERIAN KEUANGAN
DIREKTORAT JENDERAL PENGELOLAAN PEMBIAYAAN DAN RISIKO



THANK YOU



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