

Sustainable Finance as a key instrument to Support Sustainable Development Goals and Climate Change toward a low carbon economic growth

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We are living in unsustainable world



Financing for global agreement



Source of funds

Public Finance	→ ok but not sufficient
Private Finance	→ “ok” but
Social Finance	→ “ok” but



Global Financial Reform

- Crisis Management Protocol (bail-in),
- strengthening GCG (capital adequacy is not enough),
- counter cyclical policy

SUPPORTING FINANCIAL SYSTEM STABILITY

- Crisis management protocol
- Capital surcharge regulation
- GCG
- Integrated Supervision

INDONESIA

- 59,7% level of financial inclusion
- 18,58% SME Loan, 2,52% Insurance penetration
- 0,15 bank office/1000 people
- Financial Product and services utility indexes:
- Banking 57,28%, Insurance 11,81%, Pension Fund 1,53%, Capital Market 0,11%
- Financial Literacy index: Banking 21,8%, Insurance 17,8%, Pension funds 7,13%, Capital Market 3,8%
- Inequality and poverty index: Gini Index 0,41, Unemployment 6,2%, **middle income trap**



MPSJKI 2015-2019
Contributive-Stable-Inclusive

SUSTAINABLE FINANCE INITIATIVES

- SF Roadmap
- OJK Reg. 51&60/2017 (SF & Green Bond)
- SF Sectoral guidelines
- ESG Guidelines
- Capacity building(TAL)
- SF Information Hub

FINANCIAL INCLUSION INITIATIVES

- Product Based Inclusion: Basic saving account (SIMPEL), LAKU PANDAI
- Providing data JARING, PELAKU
- Providing financial services for SMEs (LAKU MIKRO, Micro Insurance, Farming insurance, SMEs mutual funds)
- 20% bank loan have to go to SMEs dan 55-70% in productive loan

- Mandatory to implement **Sustainable Finance Principles (8)**
- Mandatory to have action plan on SF for FIs
- Mandatory to deliver sustainability Report

Responsible Investment

Business sustainability in
strategy & implementation

Environmental & Social Risk
Management

Good corporate governance

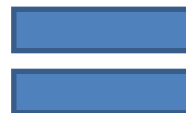
Inclusive

Informative communication

Priority sectors

Coordination & collaboration

- Sustainable banking
- Sustainable capital market
- Sustainable nonbank FIs



- Financial System Stability
- Sustainable Financing for sustainable development

Preparation
2018



1st
Implementation
2019



2nd
Implementation
2020-2024

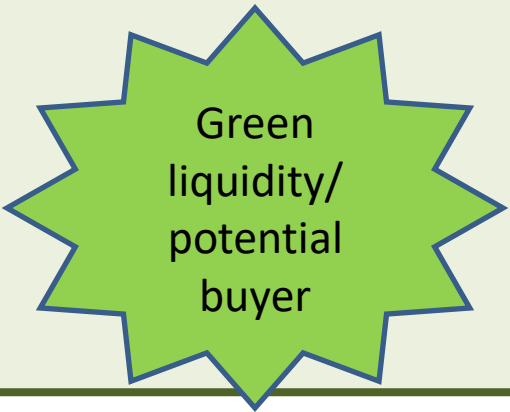
Large & Medium Bank,
Foreign Bank

Indonesia Green Bond has characteristics:

- Verifier (individual/group/corporation) → green eligible projects
- Action plan if green bond becomes not green (max 1 year)
- Buyback if green bond becomes not green
- Incentives

Potential green assets/projects:

- Infrastructure
- Renewable Energy and Energy Efficiency
- Agriculture and fisheries
- Tourism
- SMEs



Green
liquidity/
potential
buyer

How do we bring private sectors involve in development world? No one will be left behind

Most of development projects do not fit with private finance requirements = high risk (new/inherent risk/economic of scale) and less profit (at least in a short run).

A new role of Financial Regulator

- Leadership → Market signal
- Facilitating & Enhancement
- Collaboration



- Market transformation
- High social & environmental impact projects
- Transfer risk mechanism
- Innovation (product differentiation)

Private Financial access:

- Banking
- Capital Market
- Non bank financial institutions
- new: Fintech

Public and Social Financial access:

- Government Budget
- Social Investment
- Philanthropist

Financing Scheme

Pure



- Government Budget
- Government Green Bond
- International Grant

Mixed



- Government Budget
- Government Green Bond/sukuk
- International Grant
- International soft loan/financing
- Enhanced Corporate Green Bond/sukuk

Commercial



- Corporate Green Bond/sukuk
- Green loan/financing

public

Social

Private

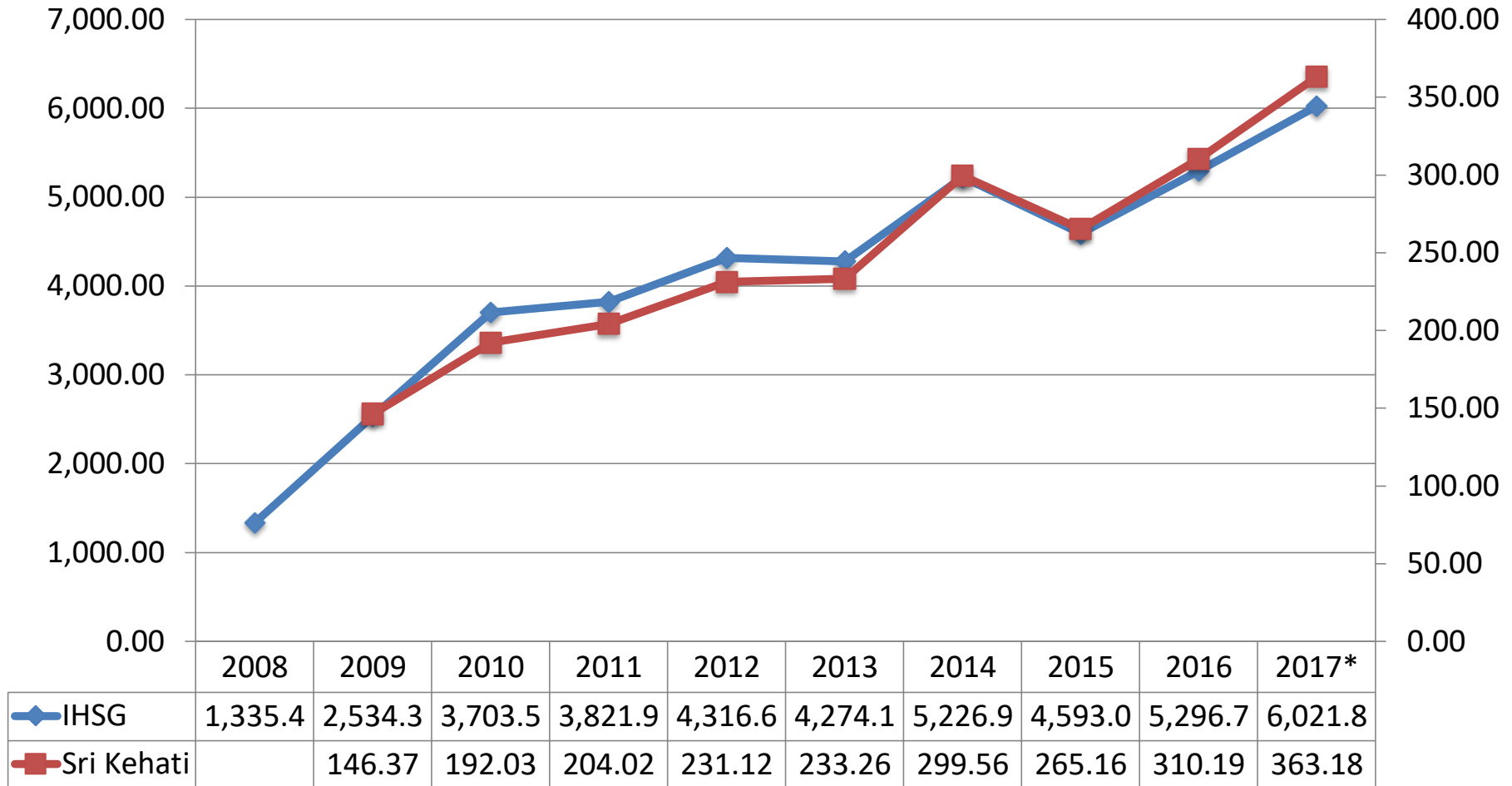
AGENDA 2018

1. Technical Guidelines
2. Green Project Catalogue
3. Capacity Building
4. Supervision Framework
5. National Taskforce on SF
6. Industrial Leadership: pilot project, green bond



- Govt will issue Green Bonds
- Encourage private to issue green bond for the 1st time

Rally and Competition: JCI dan SRI-KEHATI Index 2008 - 2017



* 10 November 2017

Source: Capital Market Statistic OJK