



MACRO FISCAL POLICY *to Support Inclusive and Sustainable Economic Growth*

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Minister of Finance, Republic of Indonesia

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RECENT ECONOMIC AND FISCAL 
UPDATES



GLOBAL TURNS HAVE BEEN CHALLENGING IN RECENT YEARS, BUT THERE IS HOPE FOR IMPROVEMENT IN THE FUTURE

2020



- The Covid-19 pandemic created a multidimensional crisis: health, social, economic, and financial
- Global economic growth contracted by 3.0% (The worst since the Great Depression 1929-2939)

2021



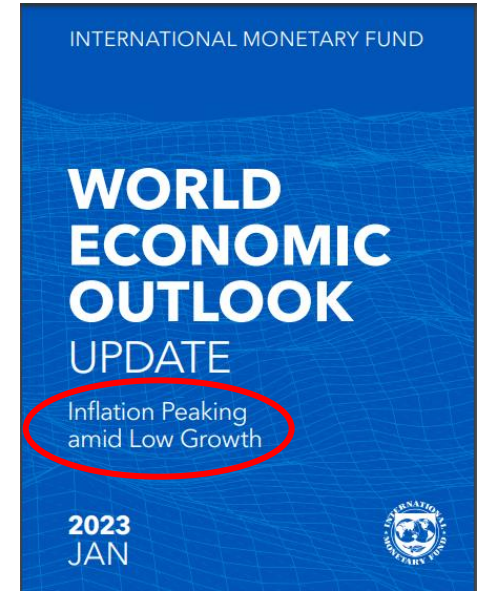
- Vaccines as game changer
- Global growth rebounded by 6.2%, but recovery was patchy
- Recovery and supply disruptions pushed up commodity prices and inflationary pressures
- Monetary tightening began

2022



- The war in Ukraine → stronger inflationary pressures → more aggressive monetary policy tightening → volatile and tight global financial sector and liquidity
- Food and energy insecurity
- The impact of China Zero-Covid policy
- Overall weakening of global growth prospects

2023 - 2024



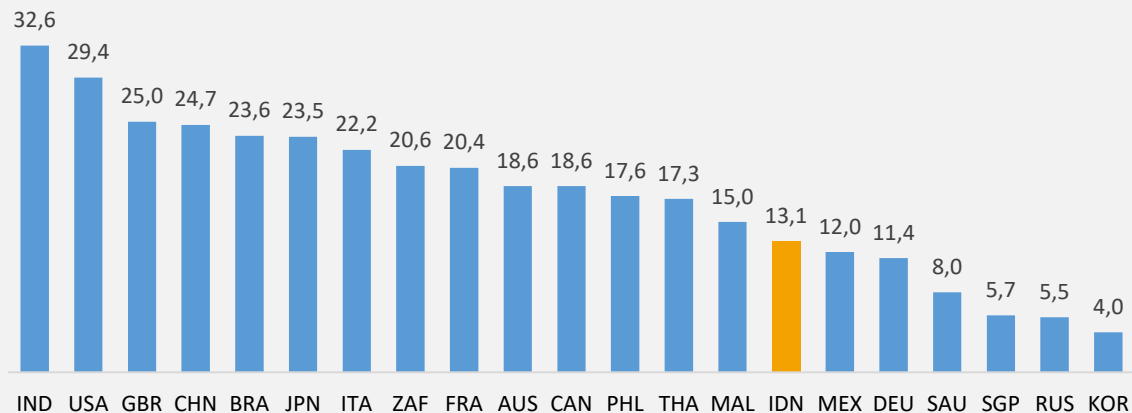
- The lingering impact of aggressive monetary policy tightening in 2022 will affect economic activity in 2023 (some countries will experience a technical recession), but overall not as bad as previously predicted
- Inflation is past its peak. Monetary tightening is slowing, but interest rates are still high
- China's reopening is expected to drive global growth
- Asia is still the global growth epicentrum (ASEAN and India)
- A growth rebound is expected in 2024, but uncertainty is still high



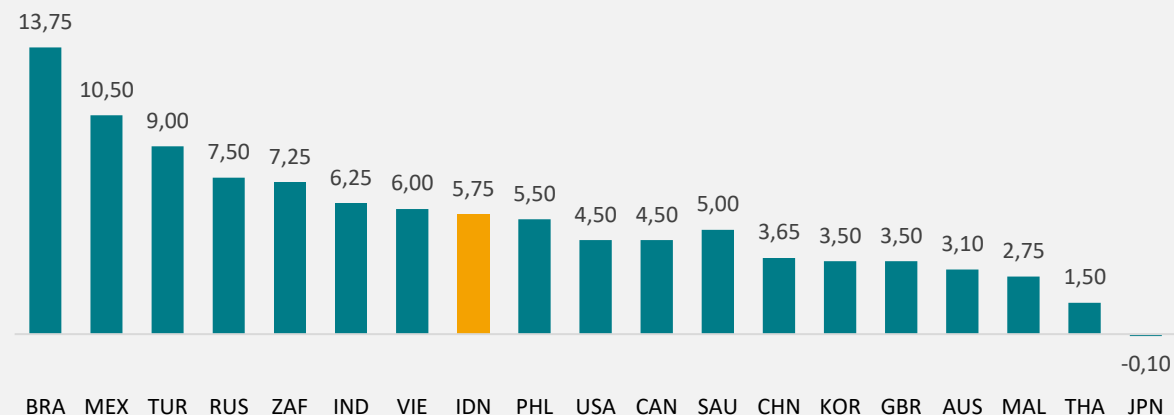
PRESSURES ON FISCAL AND MONETARY POLICY ARE ELEVATING

High accumulated fiscal deficit and government debt since pandemic, and high inflation pressure triggers tightening monetary policy

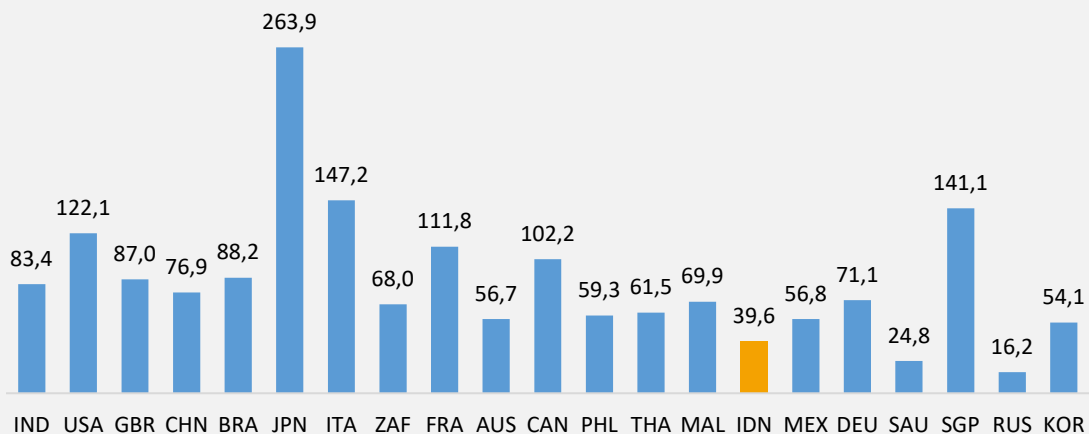
Fiscal Deficit Accumulation in 2020-2022 (% of GDP)



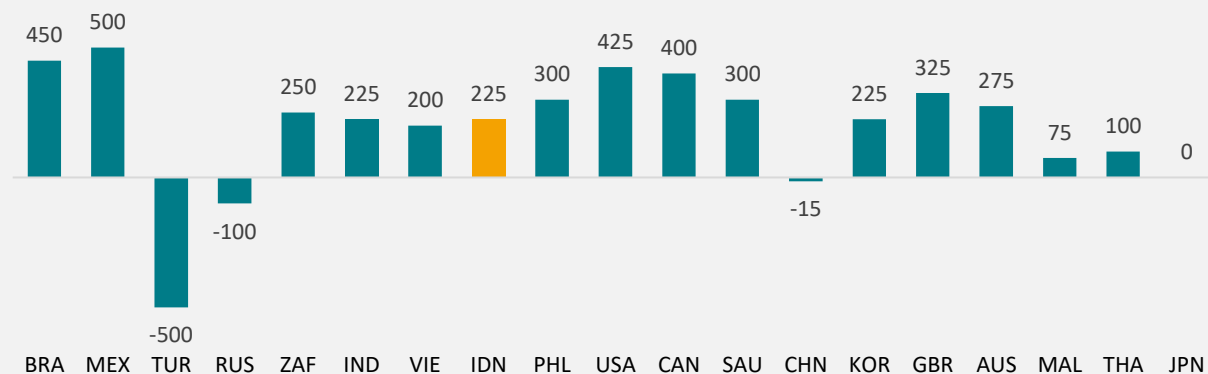
Policy Rate (%)



Government Debt Ratio in 2022 (% of GDP)



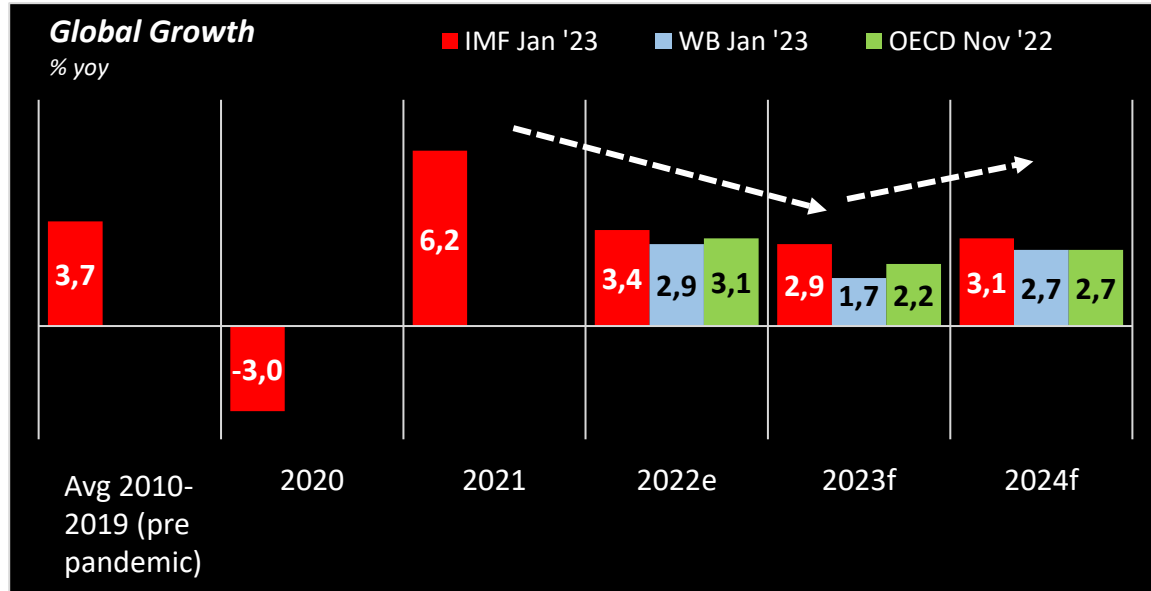
Changes in Policy Rates (basis points)



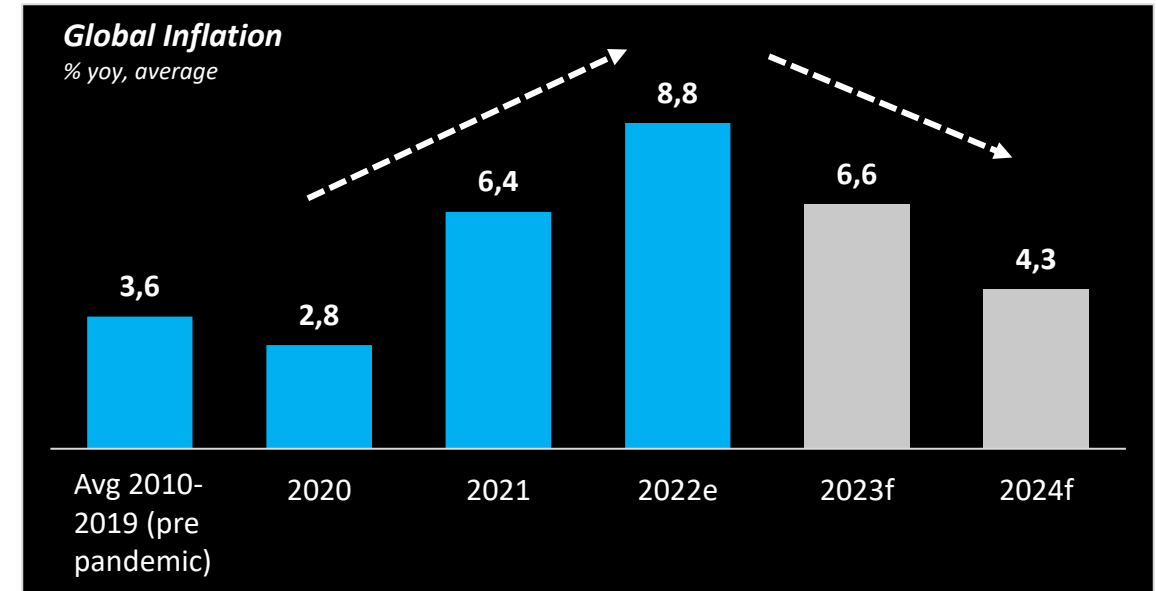


GLOBAL RISKS REMAIN HIGH IN 2023, YET ARE EXPECTED TO EASE IN 2024

Global economic growth is forecasted to remain slower in 2023 and improve in 2024...

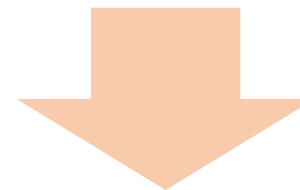


Inflationary pressure keeps decreasing throughout 2023 - 2024...



Upside risks

- The commodity prices will moderate, although remain volatile
- Inflation has reached its peak (in a downward trend)
- The pace of monetary tightening has started to slow down
- Relaxation of Covid-19 restrictions in China
- The strengthening Asia's recovery (i.e. India & ASEAN-5)
- Potential new growth drivers (digital, green economy)

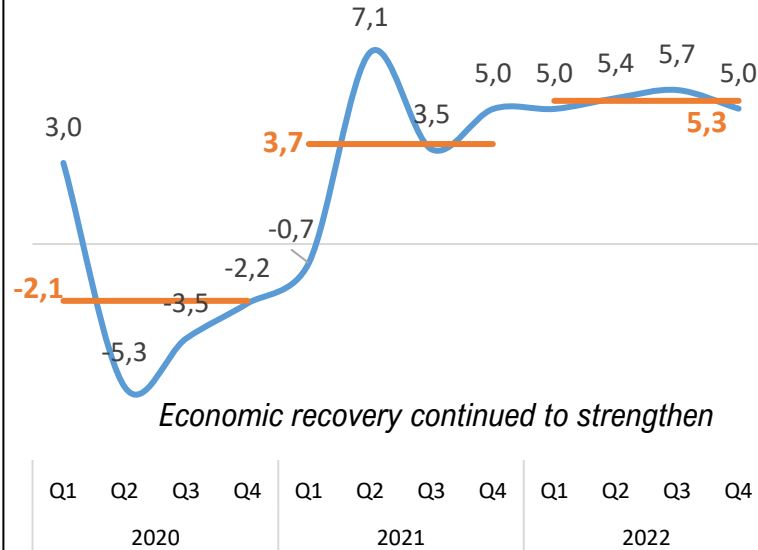


Downside risks

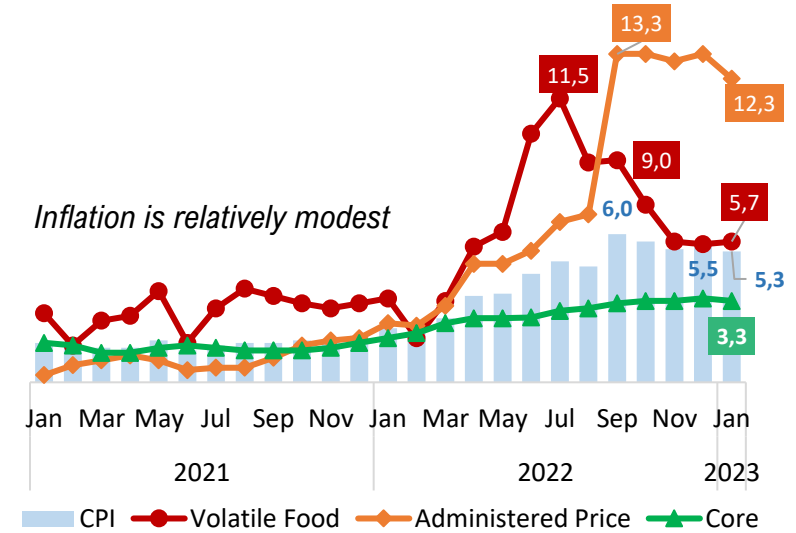
- Geopolitical tension uncertainty
- Interest rates will still be relatively high
- China is still facing pressure in the property sector
- Policy (fiscal) space is relatively narrow
- Potential impacts of climate change (extreme weather)

DESPITE THE RECENT GLOBAL HEADWINDS, INDONESIA HAS EMERGED STRONGLY FROM THE PANDEMIC

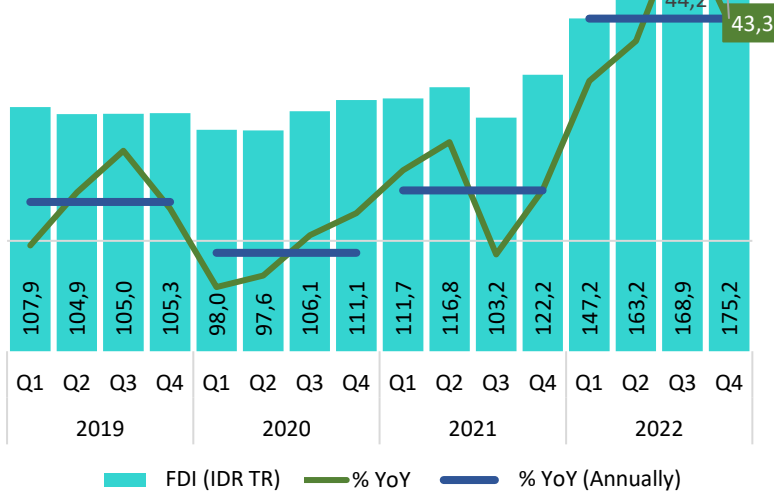
Growth (% yoy)



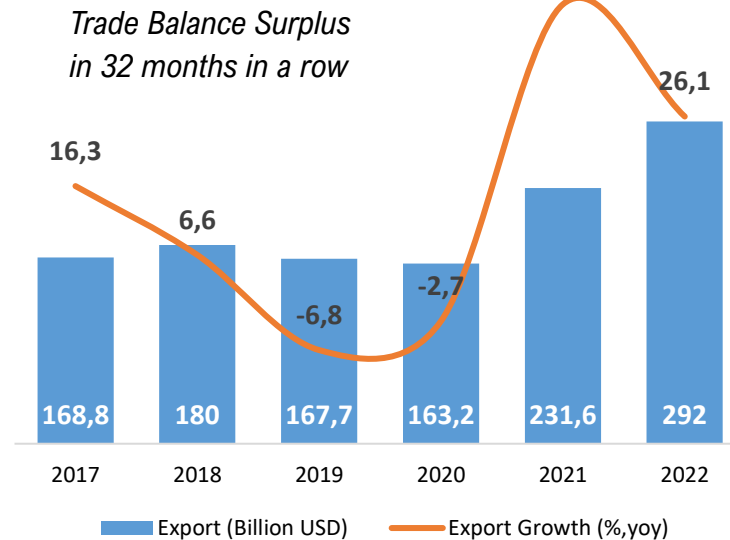
Inflation (% yoy)



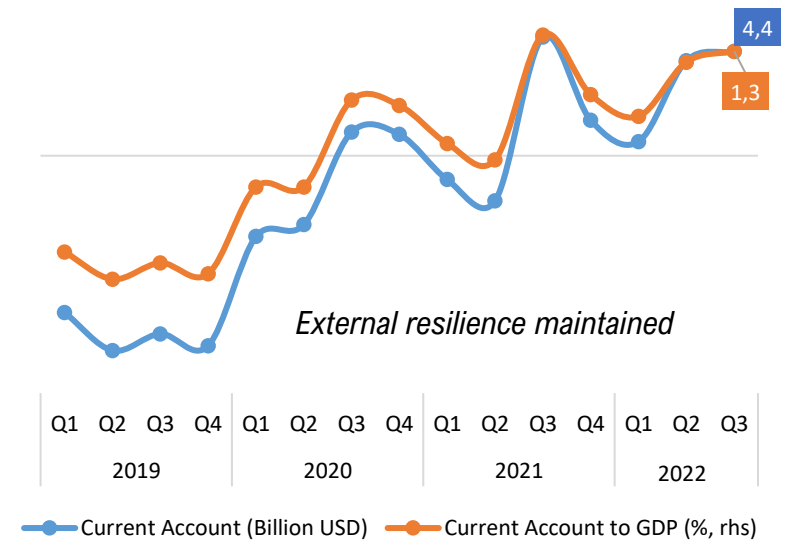
Foreign Direct Investment



Export



Current Account Balance



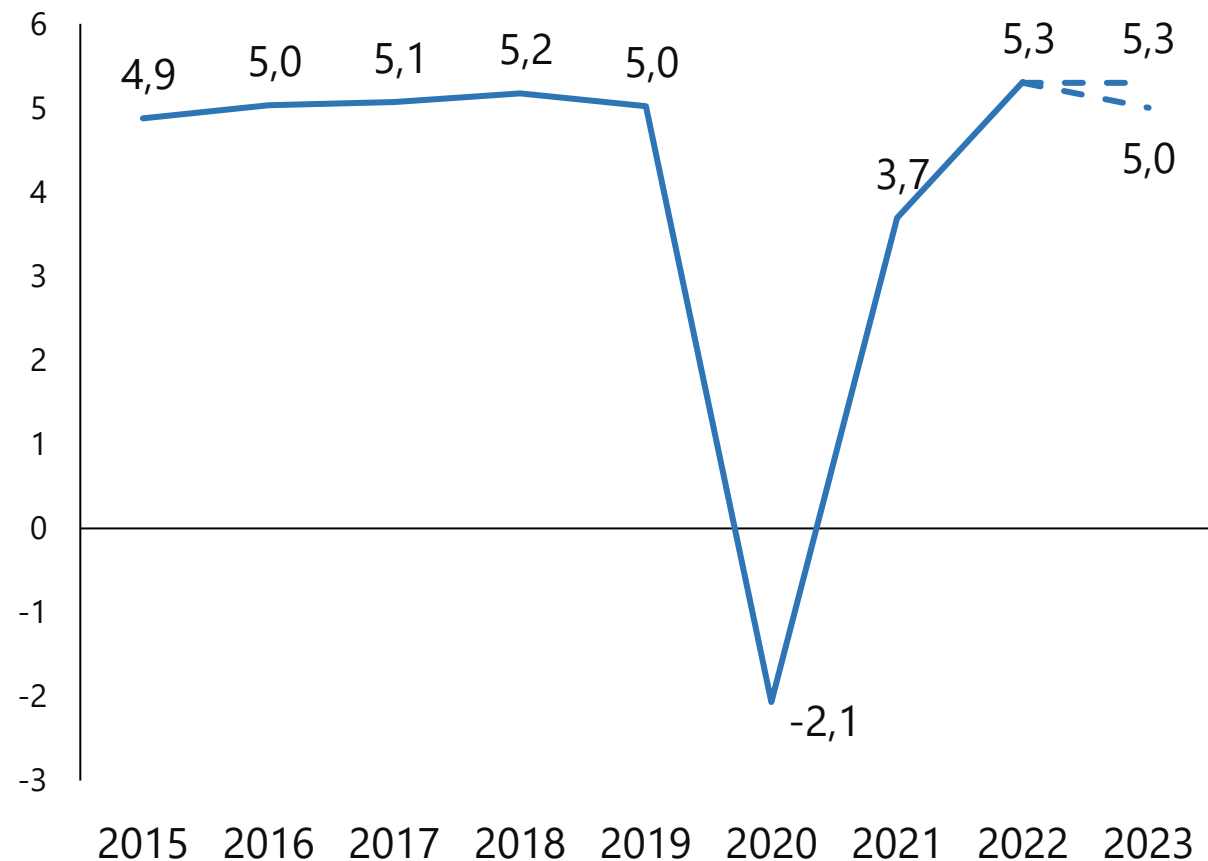


GROWTH IS EXPECTED TO REMAIN STRONG IN 2023

Global uncertainties and their impacts to the domestic economy need to be mitigated

Annual Economic Growth Outlook (% , yoy)

Sources: Statistics Indonesia, forecast



Indonesia's Economic Growth Outlook (% , yoy)

	2022	2023
IMF (WEO Jan 2023)	5.3	4.8
World Bank (GEP Jan 2023)	5.2	4.8
ADB (ADO Update Sept 2022)	5.4	5.0
Bloomberg Consensus (Nov 2022)	5.3	4.9
OECD (Nov 2022)	5.3	4.7

- Supporting factors:
 - Manageable pandemic situation and gradual easing of social restrictions potentially boost consumption as the largest component of the GDP
 - Banking liquidity is relatively ample to support consumption and investment activities
- However, the risk of global economic slow down along with global monetary tightening still need to be anticipated
- The government will continue to coordinate closely with relevant institutions and authorities to maintain domestic economic stability

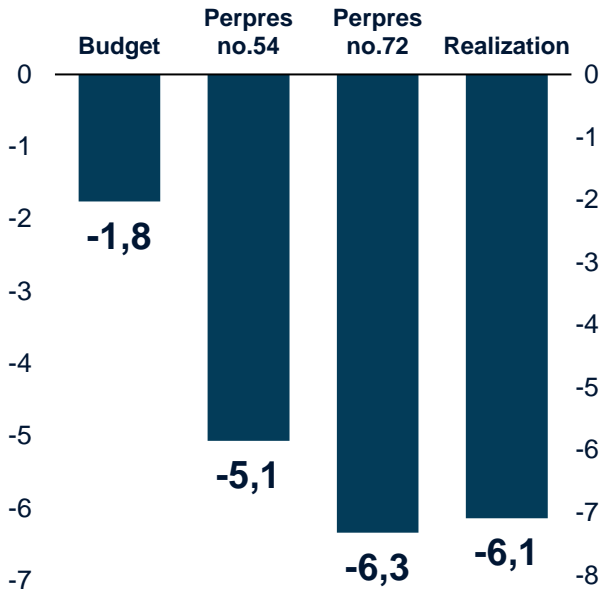


FISCAL POLICY REMAINS RESPONSIVE AND FLEXIBLE

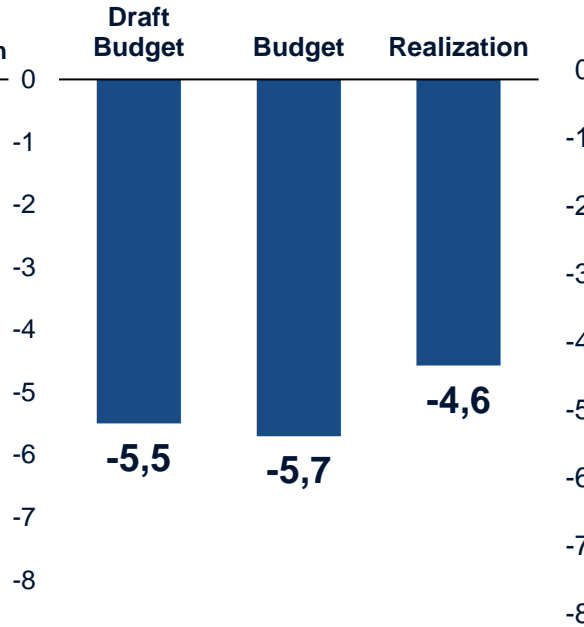
Handling the Covid-19 pandemic, accelerating recovery, and supporting reforms

2020 Extraordinary Policy	2021 Pandemic Handling & Recovery	2022 Accelerate Recovery & Reform Policy	2023 High Quality Fiscal Consolidation
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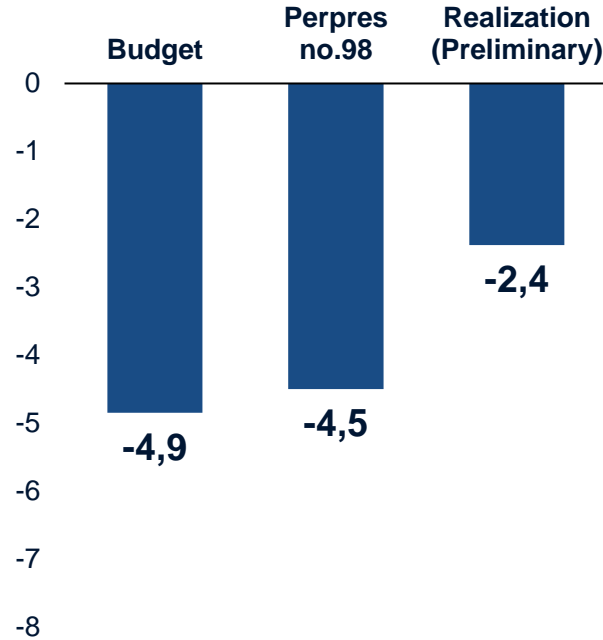
Budget Deficit 2020 (% GDP)



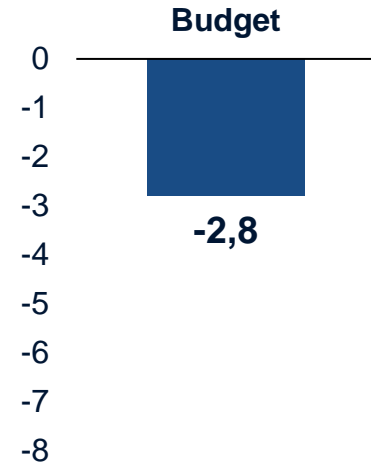
Budget Deficit 2021



Budget Deficit 2022



Budget Deficit 2023



PEN Program (IDR T)



Law No.1/2020 → Law No.2/2020

Momentum of reform (Tax Reform, Financial Relations between the Central and Regional Governments)

Strengthening fiscal performance along with economic recovery

Returns a maximum deficit of 3% of GDP



STRONG BUDGET PERFORMANCE IN 2022

Fiscal deficit recorded at 2.38% of GDP, faster fiscal consolidation

Account (IDR tn)	2019	2020	2021		2022				
			Audited	Growth (%)	Budget	Revised Budget	Realization (Preliminary)	% to Revised Budget	Growth (%)
A. Revenue	1,960.6	1,647.8	2,011.3	22.1	1,846.1	2,266.2	2,626.4	115.9	30.6
I. Tax Revenue	1,546.1	1,285.1	1,547.8	20.4	1,510.0	1,784.0	2,034.5	114.0	31.4
1. Tax	1,332.7	1,072.1	1,278.6	19.3	1,265.0	1,485.0	1,716.8	115.6	34.3
2. Custom & Excise	213.5	213.0	269.2	26.4	245.0	299.0	317.8	106.3	18.0
II. Non-Tax Revenue	409.0	343.8	458.5	33.4	335.6	481.6	588.3	122.2	28.3
B. Expenditure	2,309.3	2,595.5	2,786.4	7.4	2,714.2	3,106.4	3,090.8	99.5	10.9
I. Central Government	1,496.3	1,833.0	2,000.7	9.1	1,944.5	2,301.6	2,274.5	98.8	13.7
II. Regional Transfer & Village Funds	813.0	762.5	785.7	3.0	769.6	804.8	816.2	101.4	3.9
C. Primary Balance	(73.1)	(633.6)	(431.6)	(31.9)	(462.2)	(434.4)	(78.0)	18.0	(81.9)
D. Surplus (Deficit)	(348.7)	(947.7)	(775.1)	(18.2)	(868.0)	(840.2)	(464.3)	55.3	(40.1)
% to GDP	(2.20)	(6.14)	(4.57)		(4.85)	(4.50)	(2.38)		
E. Financing	402.1	1,193.2	871.7	(27.0)	868.0	840.2	583.5	69.5	(33.1)

Government revenues booked 115.9% from its target, grew significantly by 30.6%, supported by strengthened economic activity, the impact of the tax reform (HPP law), and high commodity prices.

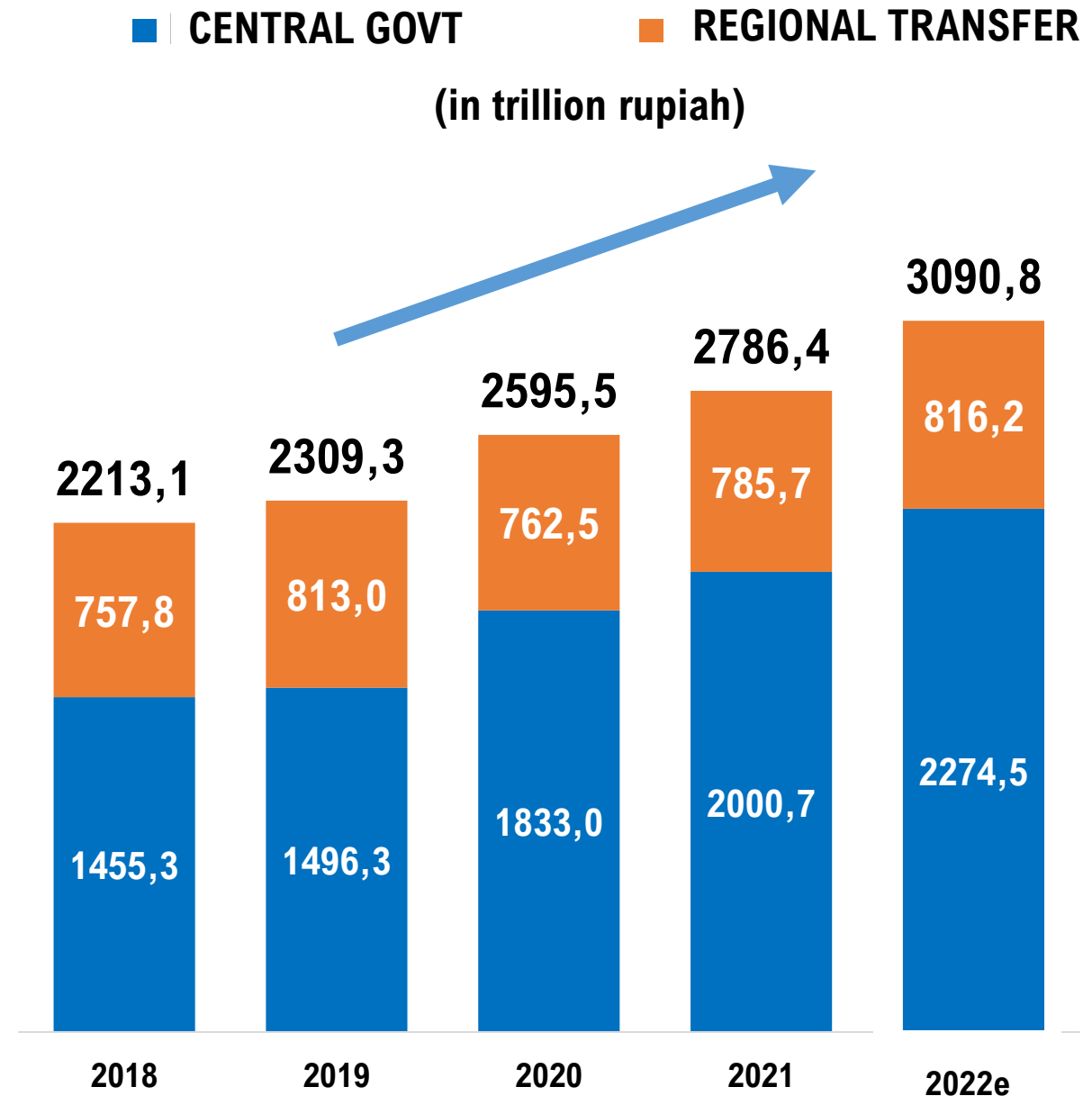
Government expenditures is at 99.5% from its target, optimized to achieve development targets as well as a shock absorber. The government expenditures are directed towards the distribution of various social assistance & subsidies, funding for national strategic projects, as well as economic recovery programs, both through central government expenditure and Transfers to Regions.

The deficit and Primary Balance have fallen significantly to pre-pandemic levels, accompanied by more efficient budget financing.



STATE EXPENDITURE ESCALATED DURING COVID-19 PANDEMIC

Mainly for handling health issues
and economy recovery

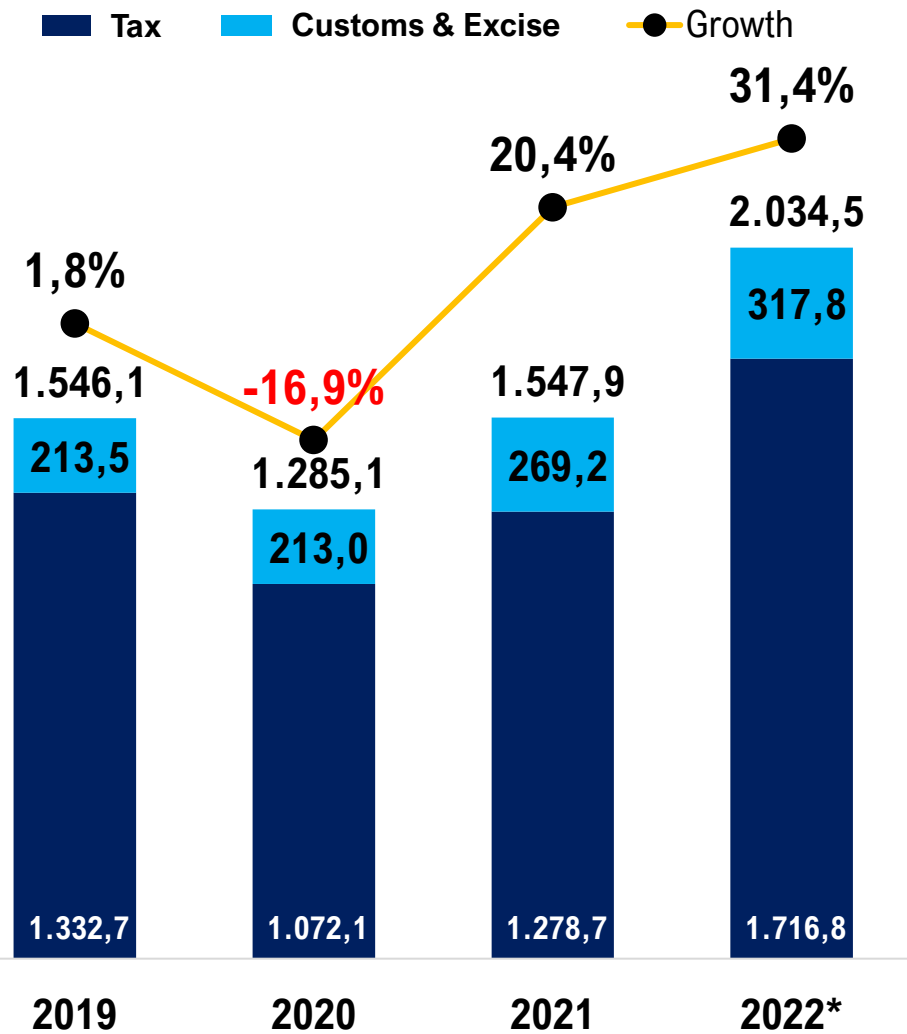




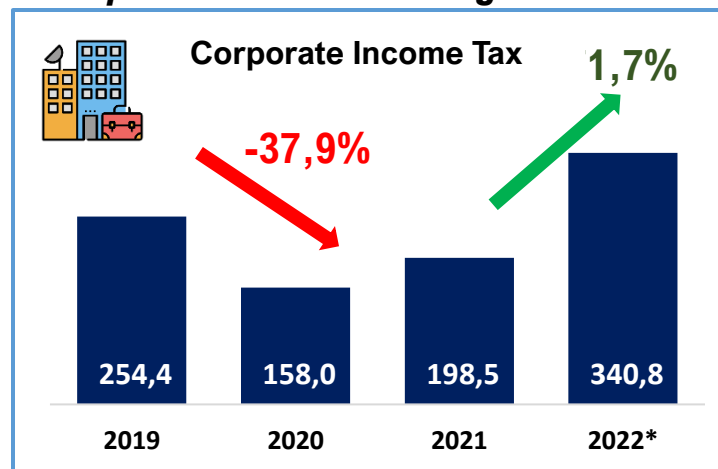
REVENUE COLLECTION CONTINUED TO STRENGTHEN

Supported By High Commodity Prices, Stronger Economic Activity And Gain From The Recent Tax Reforms

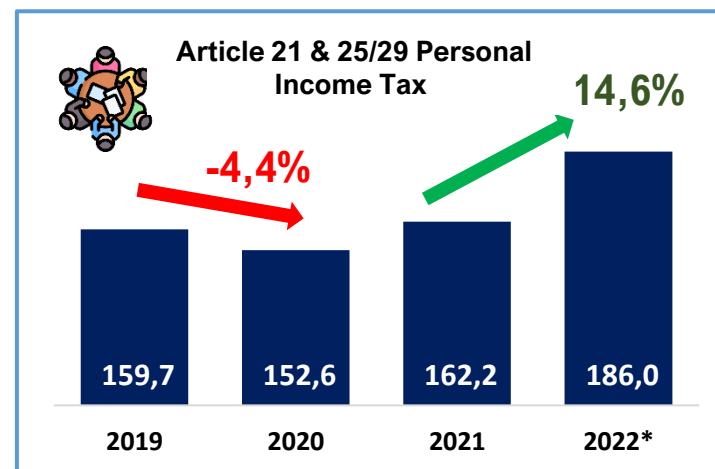
Tax Revenue Realization (IDR Trillion)



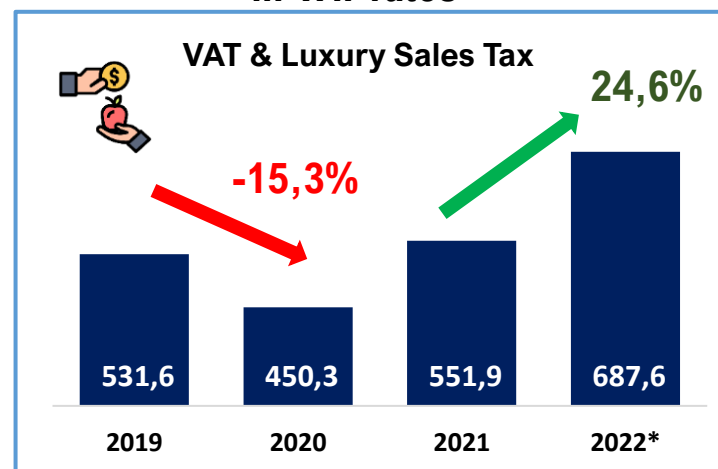
Corporate recovery driven by commodity prices and economic growth



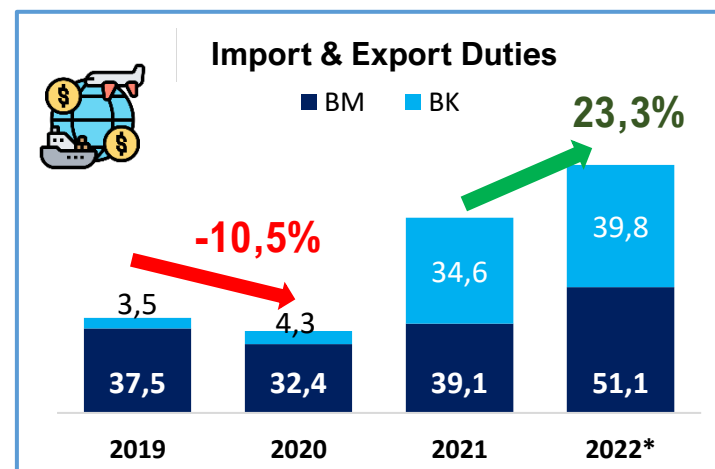
Improvement of labor utilization and wages



Expansive economic activity and changes in VAT rates



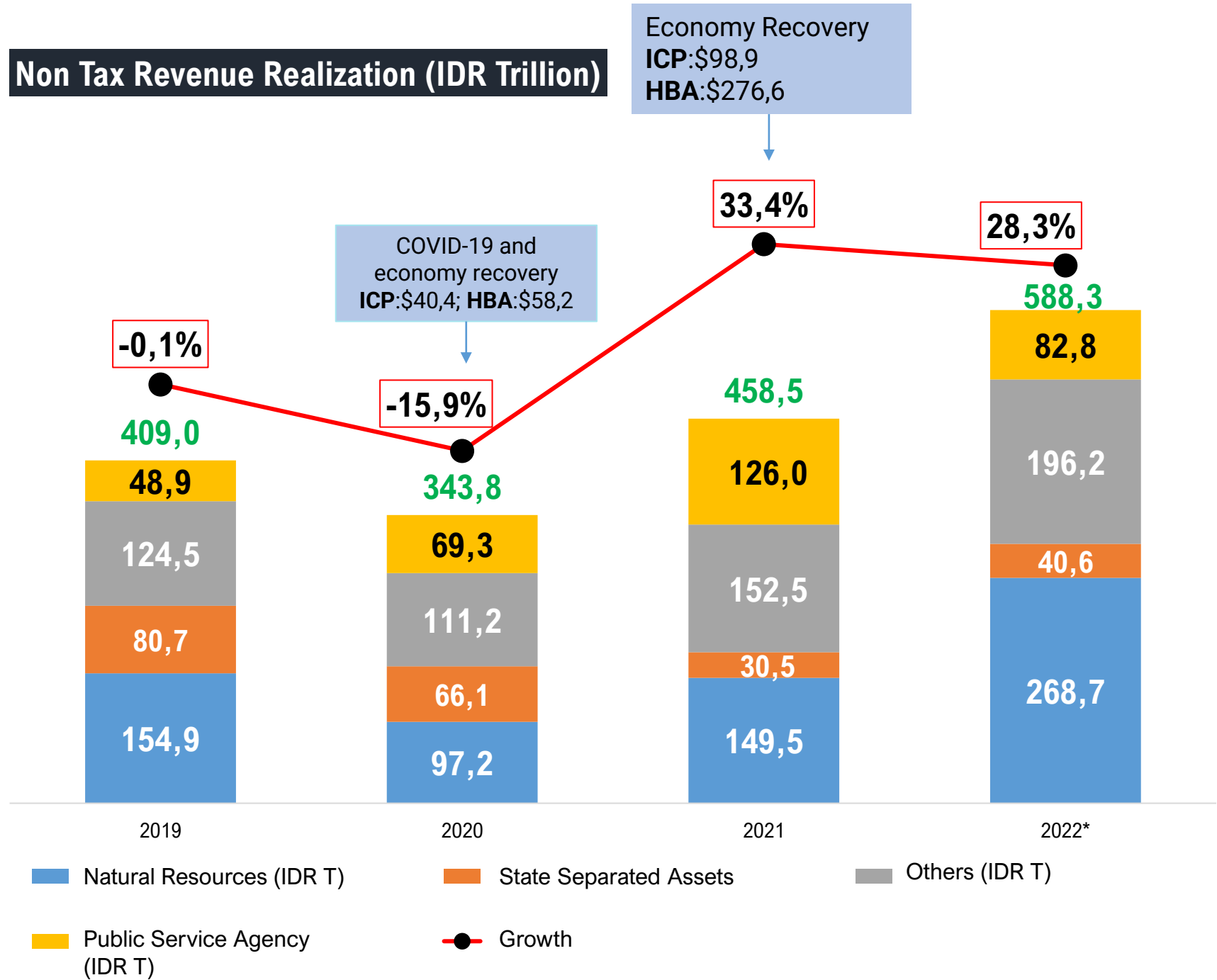
Improved trading activity



* Temporary Realization

REALIZATION OF NON-TAX REVENUE RECORDED THE HIGHEST SINCE 2019

The positive achievement was supported by rising commodity prices, BUMN dividends, and service-based non-tax revenue





GIVEN CHALLENGING EXTERNAL ENVIRONMENT, THE 2023 BUDGET IS DESIGNED TO BE PRUDENT AND CONSERVATIVE

The budget deficit is back below 3 percent and for the first time the tax target is above IDR2,000 trillion

Account (IDR T)	2020	2021	2022		2023		
	Audited	Audited	Budget	Perpres 98/2022	Realization (Preliminary)	Budget	Growth* (%)
State Revenue*	1,647.8	2,011.4	1,846.1	2,266.2	2,626.4	2,463.6	(6.2)
Tax Revenue	1,285.1	1,547.9	1,510.0	1,784.0	2,034.5	2,021.2	(0.7)
Non Tax Revenue	343.8	458.5	335.6	481.6	588.3	441.4	(25.4)
State Expenditure	2,595.5	2,786.4	2,714.2	3,106.4	3,090.8	3,061.2	(1.0)
Central Government Expenditure	1,833.0	2,000.7	1,944.5	2,301.6	2,274.5	2,246.5	(1.2)
Regional Transfer & Village Funds	762.5	785.7	769.6	804.8	816.2	814.7	(0.2)
Primary Balance	(633.6)	(431.6)	(462.2)	(434.4)	(78.0)	(156.8)	(81.9)
Surplus (Deficit)	(947.7)	(775.1)	(868.0)	(840.8)	(464.3)	(598.2)	(18.3)
<i>% to GDP</i>	<i>(6.14)</i>	<i>(4.57)</i>	<i>(4.85)</i>	<i>(4.50)</i>	<i>(2.38)</i>	<i>(2.84)</i>	
Financing	1,193.3	871.7	868.0	840.2	583.5	598.2	(33.1)

Government Revenue








The government's revenue goal considers the **moderating effects of commodity prices** and the **potential non-recurrence of certain revenue sources** such as the Voluntary Disclosure Program

Government Expenditure

The government's spending priorities are geared **towards enhancing productivity and safeguarding the public**, with adequate budget support provided to preserve citizens' purchasing power through energy subsidies and compensation programs.

Government Financing

Addressing the challenges posed by **global financial market volatility**, the possibility of increased debt costs, and the implementation of the Bank Indonesia Joint Decree.

 Economic Growth 5.3%	 Inflation 3.6%	 Exchange Rate IDR 14,800/USD	 10Y T-Bonds Rate 7.9 %	 ICP 90 USD/Barrel	 Oil Lifting 660 Thousand bpd	 Gas Lifting 1,100 Thousand bpd
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Source: Ministry of Finance
 Note: *% Growth of 2022 Budget Realization



LONG-TERM DEVELOPMENT AGENDA



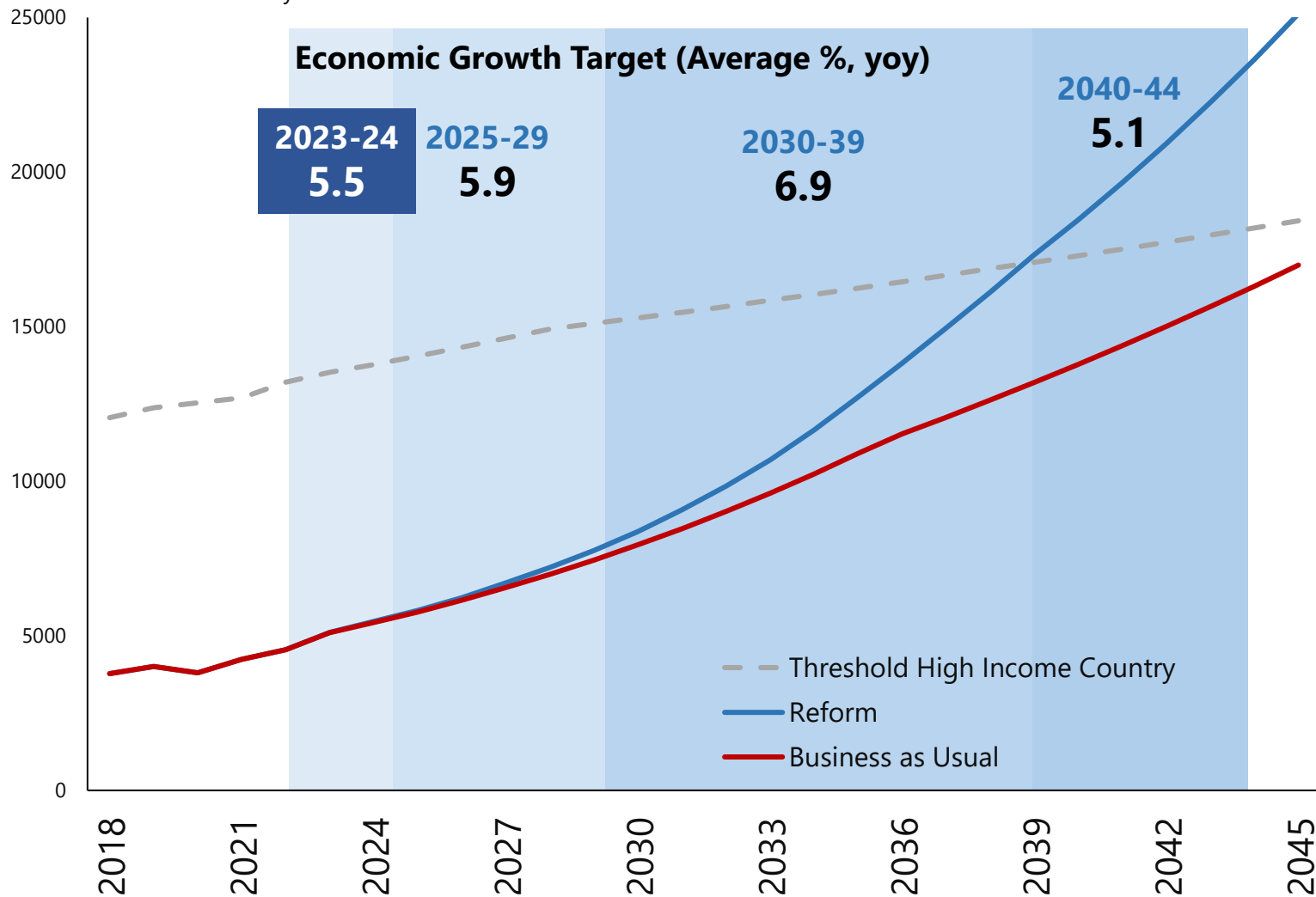


THE VISION OF ADVANCED INDONESIA BY 2045

Accelerating economic transformation to achieve a high, inclusive and sustainable growth

GNI per-capita (USD)

Source: Ministry of Finance Estimation



Short-term targets must be achieved

	2022	2023	2024
Macroeconomic Resilience (%)			
Economic Growth	5.3	5.0 – 5.3	5.2 – 5.7
Investment Growth	3.9	4.1 - 4.7	5.1 - 5.7
Inflation	5.5	3±1	2.5±1
Community Welfare Improvement (%)			
Unemployment	5.9	5.3 – 6.0	5.2 – 5.9
Poverty	9.5	7.5 – 8.5	7.4 – 8.4
Extreme Poverty	2.0	1.0 – 2.0	0.0
Stunting	21.6	17.5	14.0

Source: Indonesia Statistics, Ministry of Finance Estimation

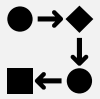


THE NEED TO CAPTURE POST-PANDEMIC TRENDS TO PUSH THE ECONOMIC TRANSFORMATION AGENDA

CHANGING TREND



Digital economy adoption surge



Increased use of natural resources downstream products



Green economy development commitment



Recovery of the global tourism sector

INDONESIAN STRENGTH

- Potential young tech-savvy demographic
- The main reserves of minerals (mainly nickel) are one of the largest in the world
- High carbon value potential and New Renewable Energy transition commitment
- Indonesian tourism is one of the favorite destinations.

POTENTIAL SECTOR

Digital Economy

Nickel, tin, bauxite mineral downstream industry

(1) Forestry
(2) New and Renewable Energy

Tourism



MANUFACTURING SECTOR AS AN ENGINE OF SUSTAINABLE AND INCLUSIVE GROWTH

INDUSTRIAL REVITALIZATION STRATEGY



Downstream industry development

Medium term export share
Medium & Hi-tech Industry >40%

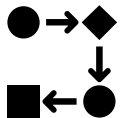
- Strengthening the independence of pharmacy sector
- Down-streaming metal minerals through the construction of copper, bauxite, tin, nickel refineries
- Development of battery, machinery and electronics industry



Increasing investment attractiveness

2023 investment target
IDR 1,294.1 T*
(PMA 51.1% ~ 661.3 T)

- Development of directed and measurable competitiveness (HR, infrastructure, logistics, legal)
- Implementation of technology transfer, strengthening R&D



Strengthening financial intermediation

Credit growth returned to pre pandemic

- Credit guarantee for Small and Medium Industries and strategic sectors
- KSSK integrated policy mix
- Utilization of creative financing through startup and venture capital



Manufacture sector's growth above national economic growth >6%



Strengthening current account balance and national economic resilience from external pressures



Massive and inclusive job creation (unemployment rate < 5.5%)

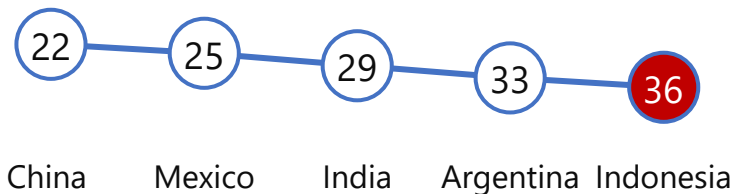


ACCELERATING INFRASTRUCTURE DEVELOPMENT TO SUPPORT PRODUCTION CAPACITY AND COMPETITIVENESS

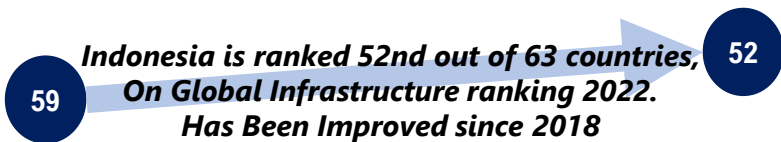
CHALLENGES

Infrastructure competitiveness is still relatively behind

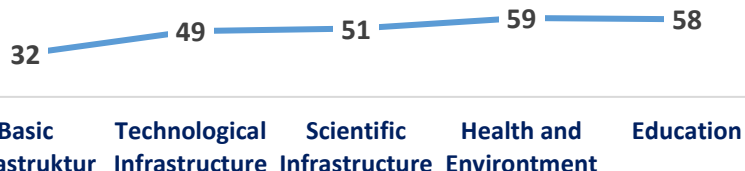
Global Competitiveness Report - Infrastructure and ICT 2020 (Ranking)



Indonesia's Infrastructure Rating still lags behind the global average



Sub-Infrastructure Ranking



ON GOING

Basic infrastructure development: including housing, drinking water, and sanitation

Development of supporting infrastructure for economic transformation

including ICT, Energy, Connectivity, and Food

New Capital City Development

Digital Competitiveness Index

2021 32.1 Digital competitiveness in Indonesia's 34 provinces in the lower to medium category has improved, there has been a narrowing of the digital divide (East Ventures Digital Comp Index 2022)

2022 35.2

BTS 4G Development in Remote and Disadvantage Villages

(2020) 1.679 BTS → 9.583 BTS (2023)

Financing Optimization: PPP Scheme, private sector empowerment, and SOE's Task, Public Service Agency (BLU), SMV dan SWF.

STRATEGIES FOR THE FUTURE

Consolidation of productive infrastructure: Connectivity, energy, and Food

Industrial area development as effort for agglomerating and clustering the potential sectors.

Technology and Digitalization Acceleration to boost the growth and catch up the current development

Equitable Digital Infrastructure to all regions, including remote areas.

Mainstreaming of the Green Economy Agenda in building physical capital.

Fiscal/Non-Fiscal Stimulus: Fiscal incentives include encouraging PPP, INA, deregulation of ease of doing business and investment



EFFORTS TO REDUCE STUNTING AND EXTREME POVERTY NEED TO BE ACCELERATED TO STRENGTHEN THE QUALITY OF HUMAN CAPITAL

The quality of education, health, and social insurance needs to be continuously optimized

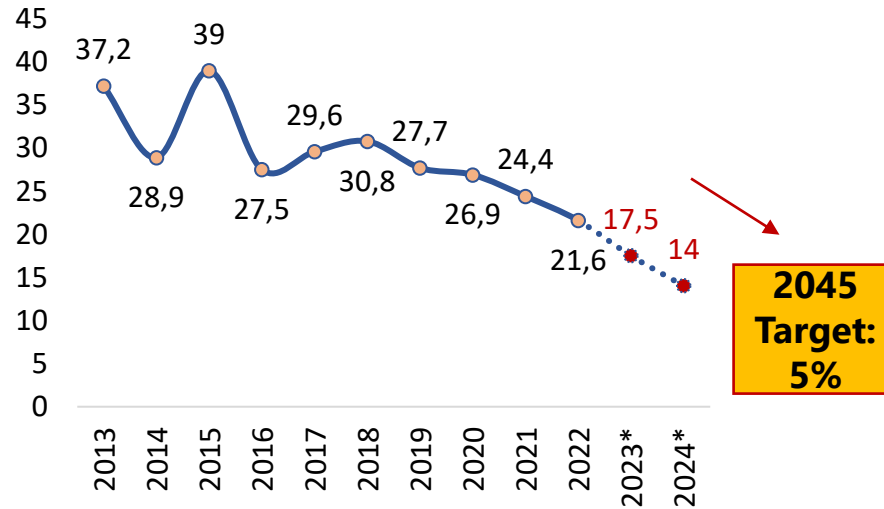
Indonesia's HDI and HCI ratings are still relatively low

The stunting prevalence rate (%) is still far from the target

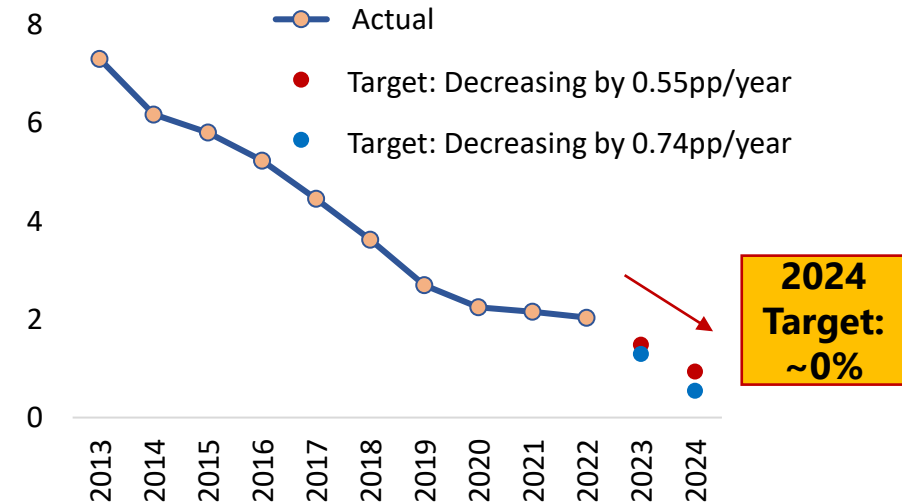
The target trajectory for reducing extreme poverty is still far from the target

114th from 191 countries
HUMAN DEVELOPMENT INDEX (HDI) RANKINGS 2021

96th from 174 countries
HUMAN CAPITAL INDEX (HCI) RANKINGS 2020



Source: Ministry of Health



Source: Statistics Indonesia

CURRENT POLICIES

Education Policy: focus on higher and vocational education



LPDP



PIP



Link and Match Program

Health Policy: sustainable national health care system



National Health Insurance



National Strategy for Stunting Prevention

FUTURE POLICY DIRECTIONS

Strengthening Social Protection

Universal Health Insurance

Education Policy Strengthening

Database Improvement (socio-economy registry)

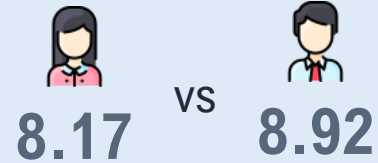


GENDER GAP NEED TO BE FURTHER ADDRESSED

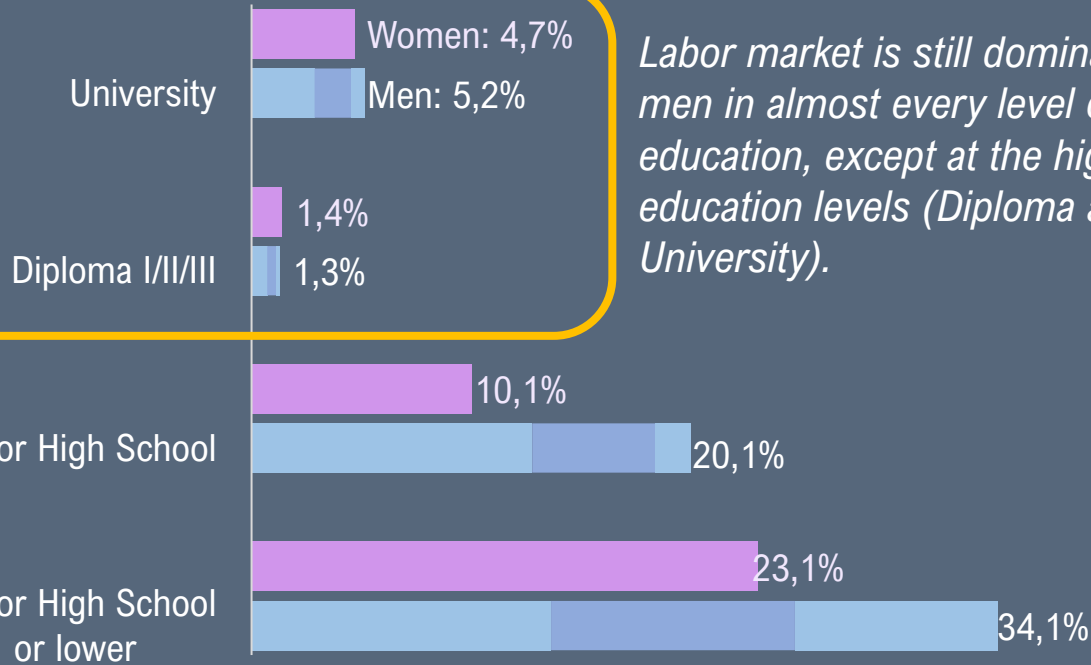


Education

Average Years of School (Years)
2021



Proportion of Employment by gender and education 2022 (%)



Labor market is still dominated by men in almost every level of education, except at the higher education levels (Diploma and University).



Economy

Women's Income Contribution (2021):

37.22%

vs 62.78% for men

Per Capita Expenditure (2021):

IDR9 mn

vs IDR15.8 mn for men



Health

Number of Health Complaints (2021):

28.3%

vs 26.15% for men

Maternal Mortality Rate (2020):

305 per 100.000 live births

vs 140 of SDGs 2030



Politics

Women's representation in the legislature in 2019:

20.5%
DPR

30.9%
DPD



Internet access

44.86%

vs 50.50% for men (2019)



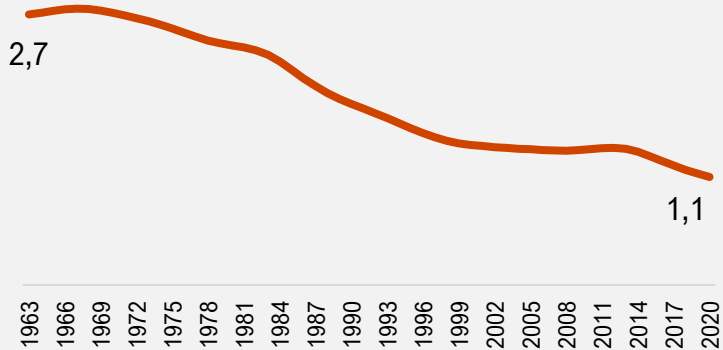
THE GOVERNMENT HAS STEPPED UP TO PROMOTE GENDER EQUALITY

to support women's health and education and provide necessary condition for women to thrive



FAMILY PLANNING PROGRAM
to benefit family, women and communities

Indonesia's Population growth (%)

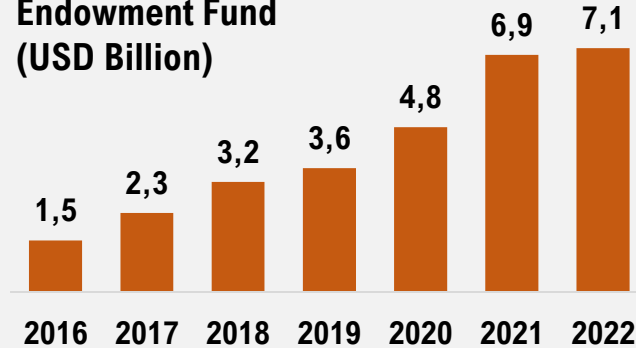


Indonesia's family planning program has increased contraceptive use from non-existent to more than 60 percent within four decades.



INDONESIA ENDOWMENT FUNDS FOR EDUCATION

Accumulated Endowment Fund (USD Billion)

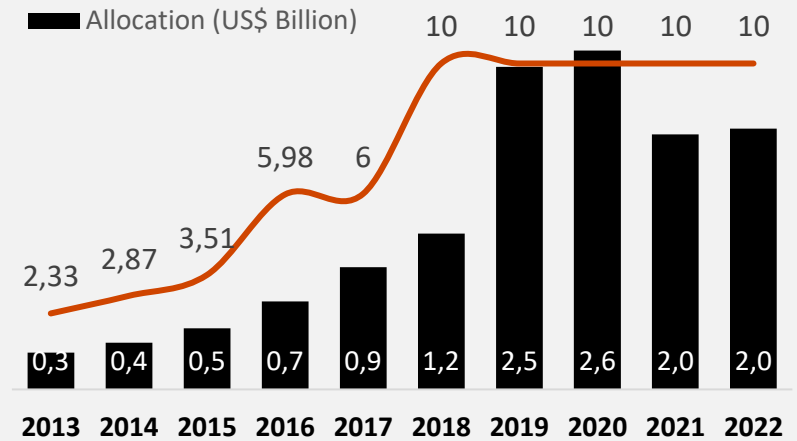


32,842 scholarship awardees
52.4% are women

>1,668 research projects



PROGRAM KELUARGA HARAPAN (PKH)



Health Component

Pregnant Women

Early Childhood

Education Component

Primary

Junior

Senior

Social Welfare Component

Severe Disability

Elderly

ENHANCE ACCESS TO FINANCING & SUPPORT FOR MSMES

Source: Ministry of Finance



Loans for ultra-micro entities

Up to 2021, the program has provided funding to more than **5.38 million SMEs**; **95% of them are women**



Membina Ekonomi Keluarga Sejahtera

Up to last year, approximately **11.1 million women** enrolled in the program.

Assistance for Micro Enterprises (BPUM)

Providing capital support for **12,8 million SMEs**, in which **70% are managed by women**.



THE GOI CONTINUES TO IMPROVE ITS COMMITMENT OF GREEN ECONOMY THROUGH ENHANCED NDC DOCUMENT

Paris Agreement dan Nationally Determined Contribution (NDC) 2030

Target:
 31,89 % national effort
 43,20 % with international support

Stated in:

- First NDC (2016);
- Updated NDC (2021);
- Enhanced NDC (2022);
- Second NDC (2024);
- Second BUR (2018);
- Third BUR (2022);

Policy Strengthening and Implementation

Carbon Pricing CBT Energy Transition Mechanism

Energy Transition Mechanism

Clean Energy Fund (CEF)
 Carbon Reduction Fund (CRF)

INDONESIA'S CLIMATE CHANGE AGENDA

MITIGATION

Emission Reduction Target by Sector (MTon CO₂e)

INDONESIAN EMISSION REDUCTION TARGET	FORESTRY	ENERGY AND TRANSPORTATION	WASTE	AGRICULTURE	IPPU	
NDC						
29%	497	314	11	9	3	CM1
41%	692	446	40	4	3.25	CM2
Enhanced NDC						
31.89%	500	358	40	10	7	CM1
43.2%	729	446	43.5	12	9	CM2

ADAPTATION

Climate Resilient

- 1 Economic Resilience
- 2 Social and Livelihood Resilience
- 3 Ecosystem and landscape resilience

Long-Term Strategy for Low Carbon and Climate Resilience 2060

Mandate from:

- Paris Agreement Article. 4.19
- Dec.1/CP.21 Para 35

LCCP (low carbon compatible Paris Agreement) Scenario:

- Peak emission 5 sector in 2030 = **540 Mton CO₂e**
- Forestry Net-Sink FOLU in 2030;
- Energy Net-Sink in 2037;
- Net Zero Emission in 2060 or sooner

Toward Net Zero Emission 2060 or sooner

- G7 minus Germany (2050);
- Germany (2045);
- South Africa (2050);
- Singapore (2060);
- Australia (2060);
- G20 (2050-2070);

*CM1= Counter Measure 1 (unconditional mitigation scenario)

*CM2= Counter Measure 2 (conditional mitigation scenario)

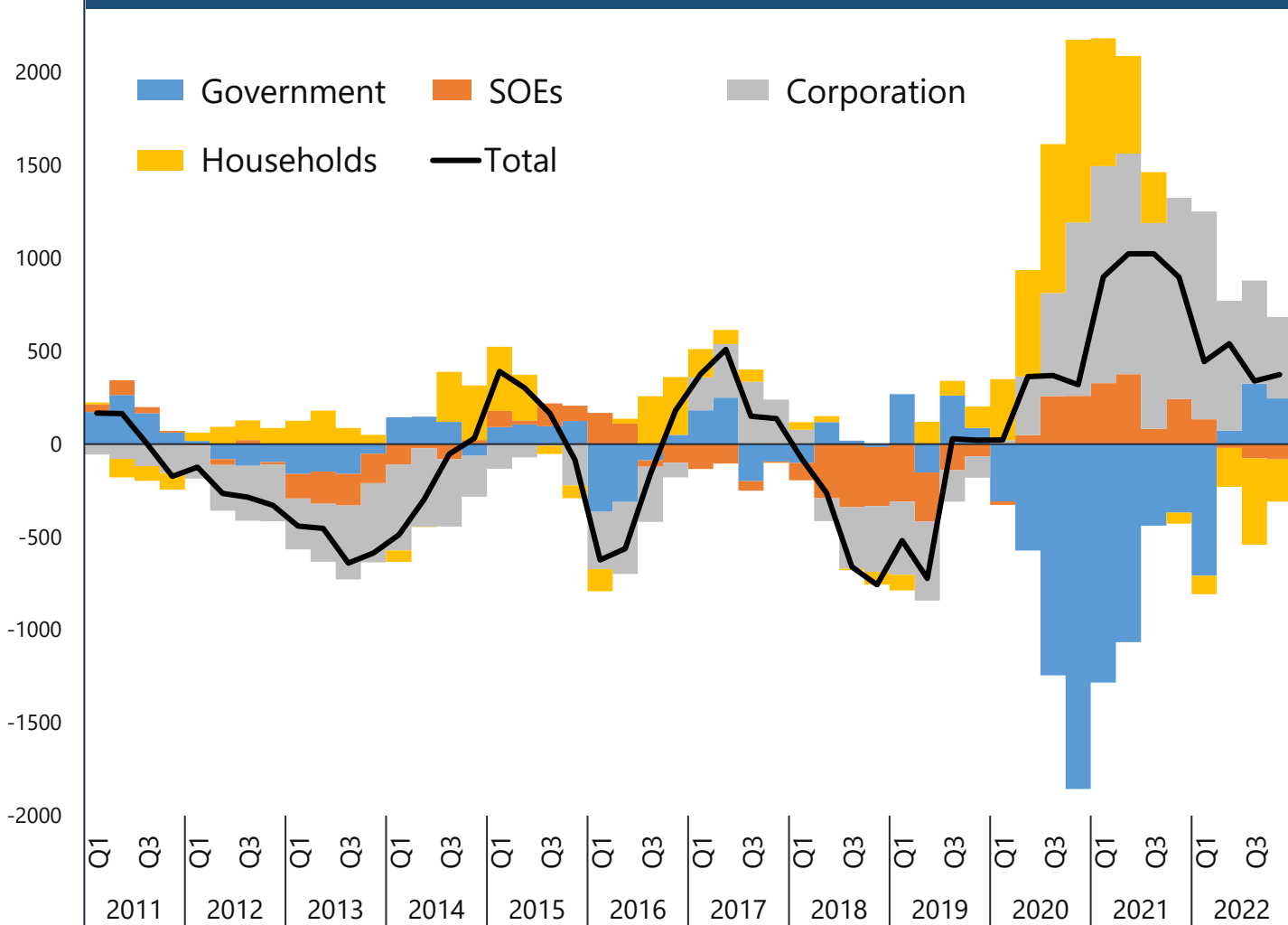


LIMITED DOMESTIC SOURCE OF FINANCING FOR DEVELOPMENT NEEDS TO BE ADDRESSED

Reform on Financial Sector (P2SK Law) is expected to strengthen sources of domestic investment financing

Saving – Investment Gap (IDR Trillion, yoy)

Source: Bank Indonesia, Ministry of Finance, processed



- Sources of investment financing for the period prior to the 2021-2022 commodity boom are very limited → dissaving → current account deficit.
- In 2021-2022, investment activity was relatively restrained due to the pandemic, while the commodity boom caused ample liquidity → a surplus in the current account balance.
- The period of ample liquidity in 2021-2022 is rare.
- The P2SK Law is expected to deepen the domestic financial market; therefore sources of investment financing can be met from within the country.



THE GOVERNMENT CONTINUES TO PURSUE REFORM AGENDA

Comprehensive structural reform to improve productivity, increase investment and strengthen export competitiveness

Omnibus Law on Job Creation

- Launched OSS (Online Single Submission) on 2021 to speed up business licensing progress
- Acceleration on the National Strategic Project (PSN) implementation
- Climate Change Fiscal Framework (CCFF) and Energy Transition Mechanism
- Implementing Risk-Based Business Analysis to Encourage FDI
- Positive investment list to improve priority sectors
- Establishment of Sovereign Wealth Fund (INA)
- etc

Fiscal Reform

- Tax Reform
 - Successful implementation of the Voluntary Disclosure Program (January - June 2022)
 - VAT rate increase to 11% since April 1st
 - Integration of ID number and taxpayer number
 - Other policy changes to be anticipated:
 - Strengthening excise mechanism
 - Income tax policy change
 - Introduction of carbon tax
- Law on Intergovernmental Transfer
 - Redesigning the management of Transfers-to-Regions to reduce inequality
 - Harmonizing the central and local government spending
 - Improving the quality of local government spending
 - Strengthening local taxing power

Omnibus Law on Financial Sector Development

Deep, innovative, efficient, inclusive, reliable, strong and stable FINANCIAL SECTOR

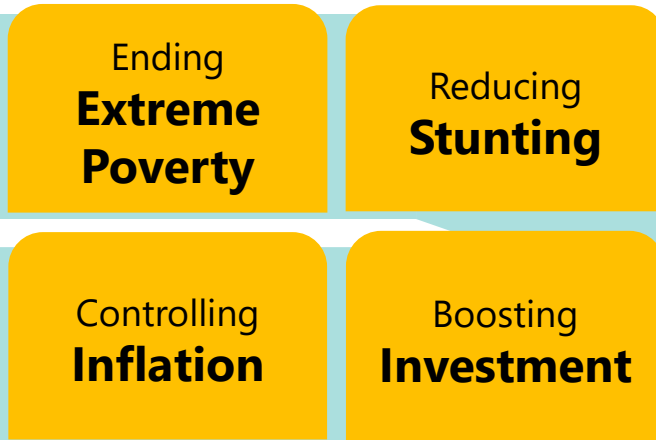
- Improving access to financial services
- Promoting long-term sources of finance for development
- Increasing competitiveness and efficiency of the financial sector
- Developing instruments and strengthening Risk Mitigation
- Strengthening investor and consumer protection

UTILIZATION OF STRUCTURAL REFORM OPPORTUNITIES **FOR ACCELERATION OF ECONOMIC GROWTH**

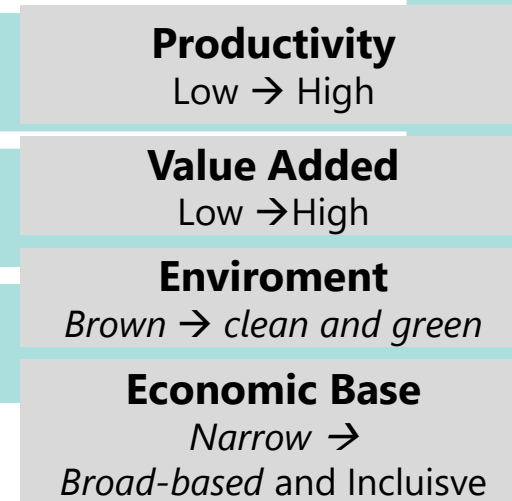


FISCAL POLICY TO SUPPORT ECONOMIC TRANSFORMATION

SHORT-TERM PRIORITIES



Economic Transformation Expectations



ADVANCED INDONESIA 2045 Vision

5th The World's Largest Economy

PERCAPITA INCOME
US\$ **23,199**

Fiscal policy
"Accelerating Economic Transformation to Achieve High, Inclusive, and Sustainable Growth"

MEDIUM – TERM PRIORITIES

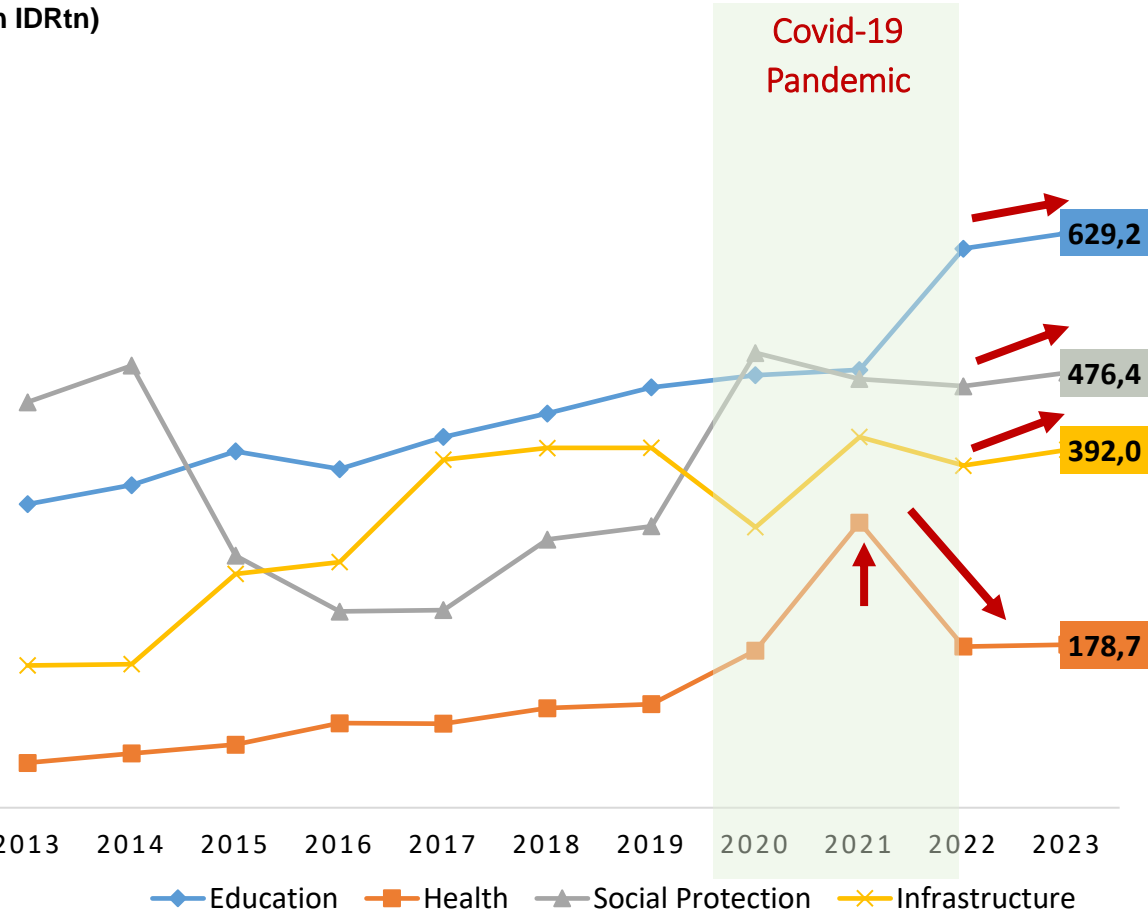




ENHANCING PRIORITY SPENDINGS

Priority Spendings

(in IDRtn)

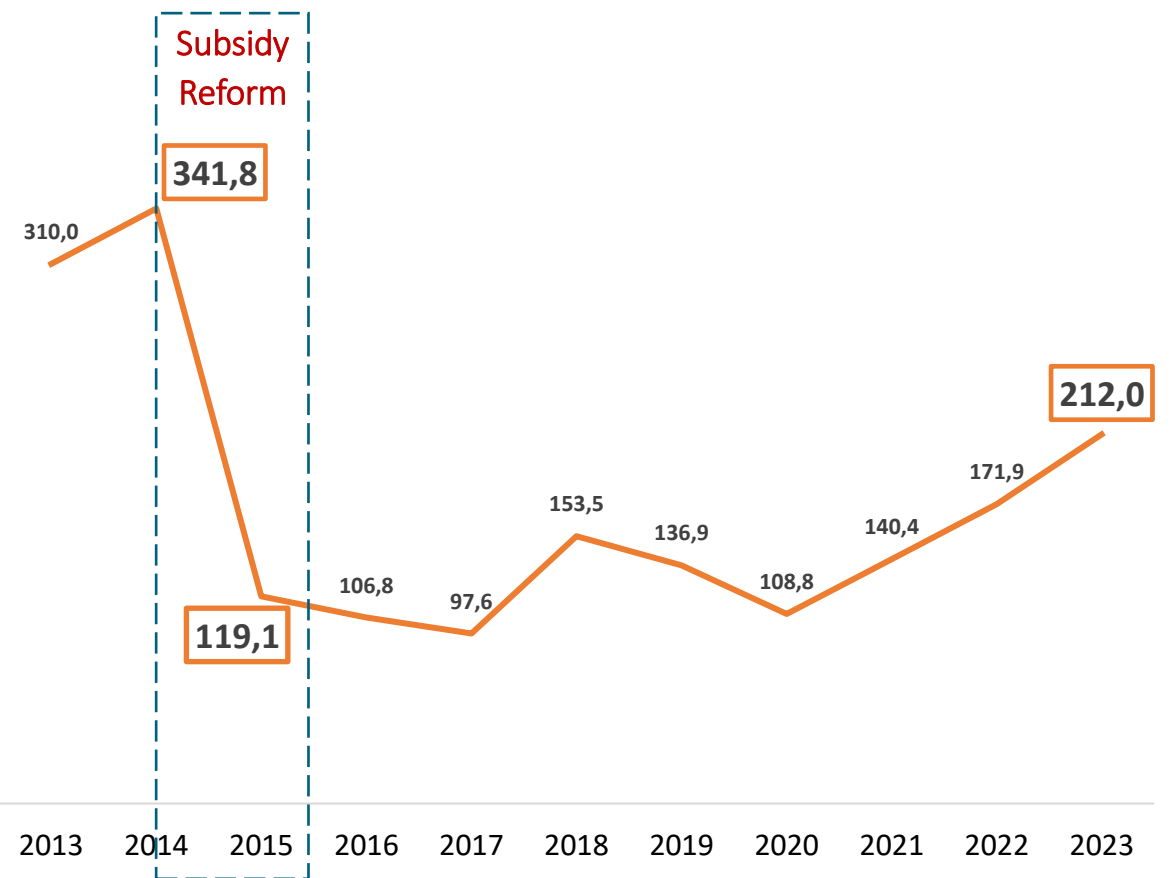


% to total budget (avg 2013-2023)

Education	20%	Health	5%	Social Protection	14%	Infrastructure	14%
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Source: Ministry of Finance

Energy Subsidy





CLIMATE FINANCE





CLIMATE FINANCE STRATEGY

Funding support to achieve the targets of the climate agenda can come from the public, private and international sectors towards *“a just and affordable transition”*



SOURCE OF FINANCING

DOMESTIC

State Budget

- Govt. Spending
- Fiscal Transfer
- Carbon Tax/Levy
- Green Finance (Green Sukuk, SDGs Bond)

NON-State Budget

- SOEs
- Carbon Trade
- Regional Budget (APBD)
- Financial Sector (Banks and Non-Banks)
- Capital Market
- BLU/ Public Service Agency
- Philanthropy

INTERNATIONAL

BILATERAL

- B to B
- G to G

MULTILATERAL

- Green Climate Fund
- Global Environment Facility
- Adaptation Fund
- MDBs/IFIs

BPDLH, SDG INDONESIA ONE, ICCTF

FUTURE CHALLENGES



Limited fiscal space

Strengthening the fiscal reform agenda and fiscal consolidation will be the key to fiscal sustainability onward.



Optimal mobilization of non-state budget climate change funding sources.



Ensure that the economic recovery and transition to a green economy is **Just and Affordable**.



Strengthen the **viability** of green projects so that they can be financed by the financial sector and receive international support.

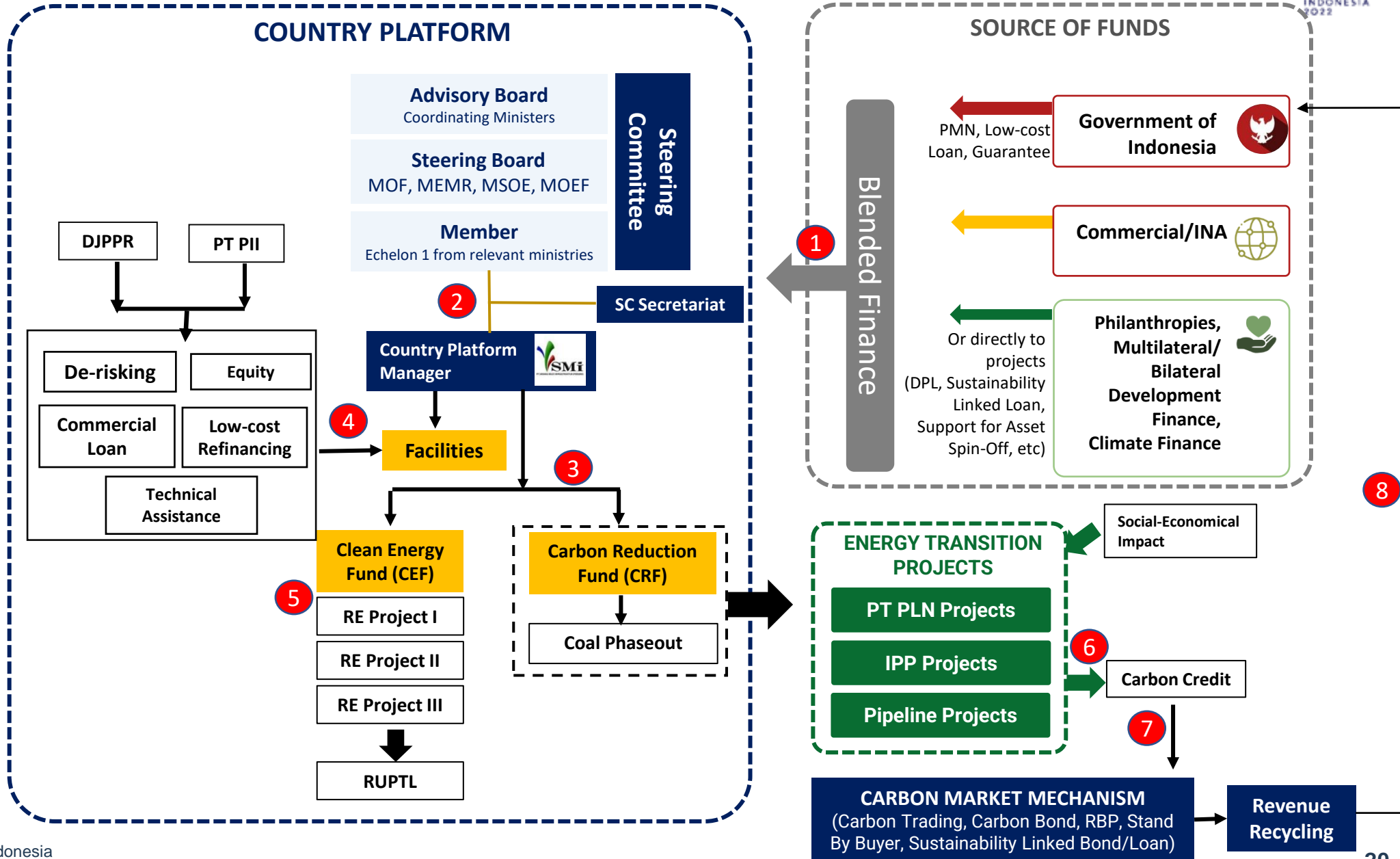


The current market mechanism has not been able to reflect the price difference between the Green and non-Green sectors. Currently, it is still limited to Green Financing, it is necessary to strengthen **Greening the Finance** in order to support the sustainable development agenda. 29

INDONESIA ENERGY TRANSITION MECHANISM (ETM) COUNTRY PLATFORM

Description of flow

- 1 Incoming blended finance to the CP through PT SMI.
- 2 SC provides guidelines for priority programs to the CP Manager.
- 3 CP executes early retirement processes according to a roadmap.
- 4 CP receives support from the MoF for several financing scheme models
- 5 Mobilizing CEF funds to transform coal-fired power plants to renewables by considering electricity supply business plan (RUPTL).
- 6 ETM produces carbon kredit for carbon trading.
- 7 The ETM's carbon credit traded in the carbon market.
- 8 Revenue cycle from the ETM comes in and is managed via PNBP.



DEFINITIONS OF TRANSITION FINANCE IN TAXONOMY AND OTHER FRAMEWORK

EU	ASEAN Taxonomy	G20 Sustainable Finance Report	Japan METI's Technology Roadmap for Transition Finance	Standard Chartered's Transition Finance Framework	DBS Bank's Sustainable & Transition Finance Framework and Taxonomy
<p>Transition finance is defined as a financing pathway for eligible but non-taxonomy aligned activities to better align the activities and eventually meet the final Paris Agreement objective of 1.5°C and 2030 – 2050 decarbonization targets, given that substantial contribution to Climate Change Mitigation (CCM) has this objective at its core.</p>	<p>The ASEAN Taxonomy classifies activities based on a traffic lights system into 3 colors: Green, Amber, and Red. Transition finance can be considered as financing that enables activities to move to a higher colour classification under the Foundation Framework, or a higher tier under the Plus Standard.</p>	<p>It refers to financial services supporting the whole-of-economy transition, in the context of the Sustainable Development Goals (SDGs), towards lower and net-zero emissions and climate resilience, in a way aligned with the goals of the Paris Agreement.</p>	<p>Transition finance extends beyond the investment for facilities and research and development toward low-carbon and decarbonization solutions introduced in the roadmaps. It also includes the costs of phasing out existing facilities.</p>	<p>Transition finance is any financial service provided to clients to support them align their business and/or operations with a 1.5°C trajectory.</p>	<p>Economic activities meeting the following conditions: 1) Displace more carbon-intensive options, and document and independently verify the extent of GHG emissions reductions. 2) Enables the wider application or integration of less carbon-intensive options.</p>



THANK YOU

