

Presentation Book

# Investor Relation Unit Republic of Indonesia

*“Synergy in Strengthening Stability and National Economic Transformation in a Dynamic Global Landscape”*



December 2024

# About Investor Relations Unit of the Republic of Indonesia



Investor Relations Unit (IRU) of the Republic of Indonesia has been established through a collaborative effort between the Coordinating Ministry of Economic Affairs, the Ministry of Finance and Bank Indonesia since 2005. The primary objective of IRU is to actively communicate Indonesian economic policies and to address the concerns of investors, particularly those in financial markets.

As an important part of its communication strategy, IRU maintains a website hosted under Bank Indonesia website, which is administered by the International Department of Bank Indonesia. However, day-to-day activities of IRU are supported by all relevant government agencies, among others: Bank Indonesia, Ministry of Finance, Coordinating Ministry for Economic Affairs, Ministry of Investment, Financial Services Authority, Ministry of State-Owned Enterprises, and The Committee for Acceleration of Priority Infrastructure Delivery.

IRU also actively engages with investors by organizing a monthly Investor Conference Call. Additionally, it promptly addresses inquiries through email and telephone channels. Furthermore, IRU may also facilitates direct visit of banks/financial institutions to Bank Indonesia and other relevant government offices. This multifaceted approach underscores the commitment of the IRU to foster transparent communication and address the needs of the investors.

Published by Investor Relations Unit – Republic of Indonesia

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This Presentation Book is also available for download at: <https://www.bi.go.id/en/iru/presentation/default.aspx>



# Green Policy

*“Indonesia's Climate Resilience: Strong Commitment, Bright Future”*

# Executive Summary



## Inclusive Growth, Sustainable Future: Indonesia's Commitment to Green and Sustainable Finance

Amid unprecedented global challenges, Indonesia remains resolute in its efforts to promote inclusive and resilient economic growth. Classical risks such as inflation, trade tensions, social unrest, and geopolitical conflicts persist, alongside emerging challenges such as high debt levels, sluggish growth, evolving technology, and urgent climate concerns, shaping an uncertain decade ahead. Indonesia pledges to expand and fortify initiatives for a sustainable, inclusive economy and to bolster financial frameworks supporting long-term economic health. The government will enhance policy coordination across sectors to foster a stable, inclusive, and environmentally conscious financial system. Addressing climate change and environmental preservation requires collaborative efforts, leveraging the potential of all stakeholders to maximize impact.

# Indonesia Commitment Towards Climate Change Agenda



## Paris Agreement and Enhanced Nationally Determined Contribution (NDC) 2030

**Target:**  
**31.89%** with current financial capacity  
**43.2%** with International Support

**Mention on:**  
 • First NDC (2016)  
 • Updated NDC (2021)  
 • Enhanced NDC (2022)

### Emission Reduction Targets based on Sector according to NDC (M Ton CO2e)

Indonesia Emission Reduction Target	Forestry	Energy and transportation	Waste	Agriculture	IPPU
31.89%	500	358	40	10	7
43.2%	729	446	43.5	12	9

### Policy Strengthening and Implementation

<b>Carbon Pricing</b>	Carbon trading Carbon Tax (Tarif minimum: Rp30/Kg CO2e)	Climate Change Financing	Technology Development and Transfer	Capacity Building
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### Climate Resilience

**1** Economic Resilience

**2** Social Resilience

**3** Environment Resilience

### ADAPTATION

## Long-Term Strategy for Low Carbon and Climate Resilience 2050

**Mandate from:**  
 • Paris Agreement Article. 4.19  
 • Dec.1/CP.21 Para 35

**LCCP Scenario:**  
 • Emission Peak on 5 sector on 2030 = 540 Mton CO2e  
 • Net-Sink FOLU in 2030  
 • Net Zero Emission in 2060

### Climate Change Mitigation Financing Needs

Reference	Scope	Cost/Impact estimation
Second Biennial Update Report, KLHK (2021)	Climate Change Mitigation Cost to achieve NDC	Accumulative Mitigation Cost until 2030 = USD 281 Billion
Roadmap NDC Mitigation Indonesia, KLHK (2020)	Climate Change Mitigation Cost to achieve NDC (using the mitigation action cost approach)	Accumulative Mitigation Cost until 2030 = USD 263.5 Billion (USD 23.96 Billion/year)

- The current financing capacity to achieve the NDC target is still insufficient.



# ETM To Address The Energy Transition Challenges



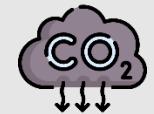
Photo: Grand Launching ETM Country Platform, Bali (2022)

## INDONESIA Energy Transition Mechanism

### ETM Main Objectives:



Optimizing energy mix progression based on National Energy Policy



Enhancing emission reduction in electricity subsector to achieve NDC and NZE targets

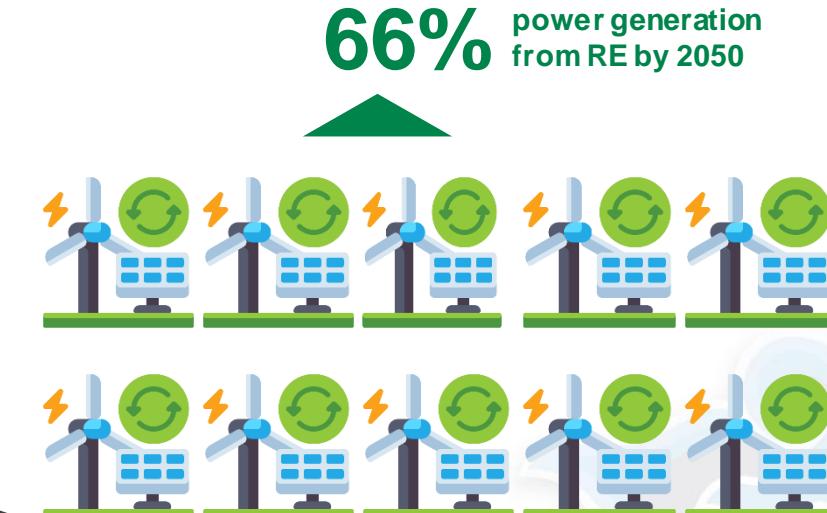
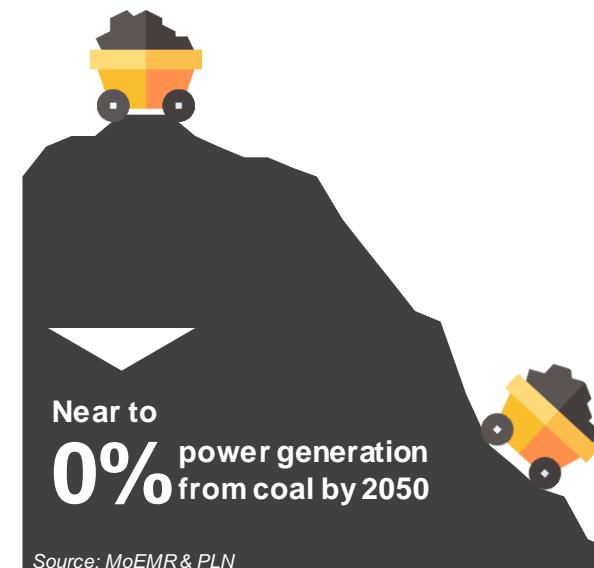


Accelerate early retirement of Coal-Fired Power Plant (CFPP)



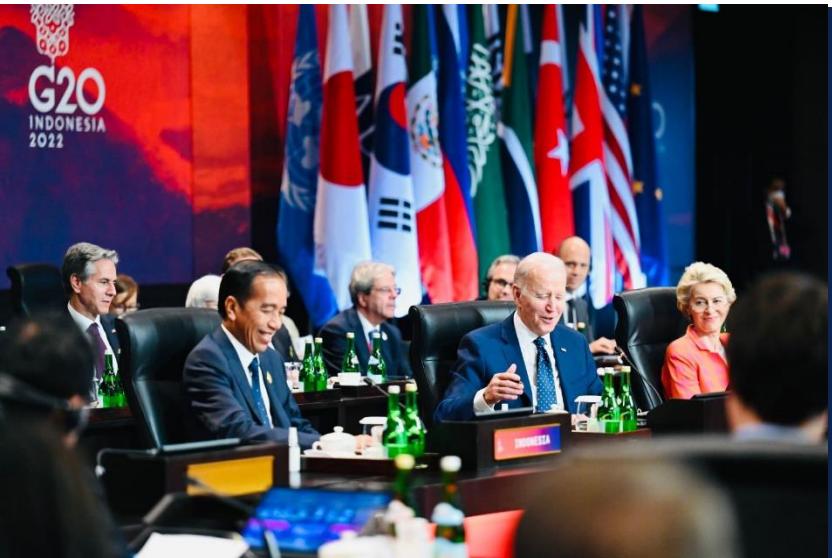
Boost renewable energy power generation investment

ETM Aligned with Electricity Power Generation Roadmap to Support Net Zero Emission by 2060 or Sooner



# JETP Works to Enhance Indonesia's Green Economy

by Constructing Eco-friendly Infrastructure and Refining Financial Support for Sustainable projects



## Just Energy Transition Partnership

Photo: G20 Leaders Summit, Bali (2022)

On November 15 2022, President Joko Widodo and leaders of International Partners Group (IPG) of likeminded countries, co-led by the United States and Japan, and including Canada, Denmark, EU, France, Germany, Italy, Norway, and UK, **launched a Just and Energy Transition Partnership (JETP)** developed with Indonesia during its G20 Presidency. The landmark partnership supports an ambitious and just power sector transition in Indonesia, consistent with keeping 1.5 °C global warming limit within reach.

*A just and affordable transition is our principle to balancing the recovery and transition agenda.*

### JETP Main Objectives:



Capping power sector emissions at **290 megatons of CO2e** in 2030, down from baseline value of 357 megatons of CO2e.



Support **early retirement** and restrict the development of CFPs



Accelerate the deployment of **renewable energy power plant** to reach 34% of all power generation by 2030



Supporting **affected communities** to adapt with the transition

## USD 20 B = IDR 330 T

**50% Public:** G7 countries, Norway, and Denmark

**50% Private:** Glasgow Financial Alliance for Net Zero (GFANZ) consist of Bank of America, HSBC, Citibank, Standard Chartered, MUFG, and Macquarie

### Financing Scheme

Concessional Loans

Grants

Guarantees

Market-rate Loans



# Carbon Market Has Been Officially Established

- ❑ As a form of support in achieving Indonesia's NDC, the Indonesia Stock Exchange (IDX) has developed an "**IDXCarbon**" which accommodates the needs of carbon trading in Indonesia.
- ❑ **The President of the Republic of Indonesia launched the Indonesian Carbon Exchange (IDXCarbon) on 26<sup>th</sup> September 2023**



## Value Propositions

### Price Transparency

Trusted and Credible trading by Prioritizing information disclosure that is publicly accessed

### Efficiency

Fast completion carbon unit trading transactions at affordable fees

### Market Liquidity

High market liquidity to get the best price

### Accessibility

Trading infrastructure that is easily accessible to service users through innovative products and services

## Allowance Market

## Offset Market

## Trading Methods



### Auction

The government or Emission Mitigation Project Owner can sell carbon units through an auction mechanism on the Carbon Exchange. Prospective carbon unit buyers submit purchase requests at the desired volume and price.



### Regular Trading

The trading is conducted by a continuous auction mechanism which all parties can submit their buy and sell offers in real time.



### Negotiated Trading

Facilitate the completion of the previously agreed trades through the IDXCarbon system transparently and securely.



### Marketplace

Emission Mitigation Project Owners can sell their carbon units at a predetermined price.



# Carbon Market Exchange

## Carbon Market Exchange Commencement



“The inauguration of the carbon market exchange marks a significant milestone in Indonesia's commitment to addressing climate change and promoting sustainable environmental practices. I am optimistic that Indonesia will be the world's carbon center and remain consistent in building and maintaining the country's carbon ecosystem.”

President of the Republic of Indonesia, Joko Widodo.



The potential for Carbon Exchange trading is expected to continue to expand as more industries set net zero emission commitments.



OJK is committed to continue to encourage the financial services sector to take part in carbon exchange trading and other sustainable financing schemes.

## Indonesia Carbon Exchange Development



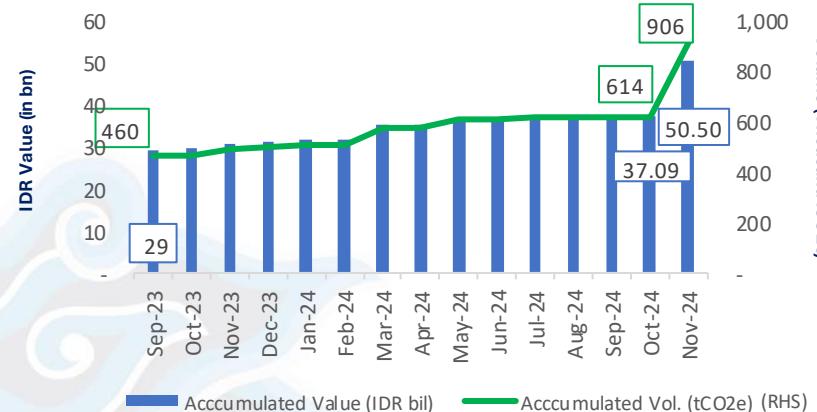
**IDR50.50 Billion**  
total transaction value



**906,440 tCO<sub>2</sub>e**  
total transaction volume



**94 registered users**  
of the carbon exchange



## Carbon Trading Ecosystem

### Individuals/ Legal Entity

#### Establishment of BAE

##### Business Actors



##### Project Developer



##### Corporation



##### Financial Institutions and Intermediaries



### Primary Market

#### Related Ministers



#### International Standard

#### Standard Recognition Mechanism

### Secondary Market



#### OJK Supervises of Carbon Trading (POJK 14/2023):

Secondary trading through carbon market exchange

Carbon Market Exchange organizer

BAE: GHG Emissions Cap  
PTBAE-PU: GHG Emissions Cap for Businesses  
SPE GRK: Certificate of GHG Emission Reduction



## OJK Strategic Direction for Developing Sustainable Finance



Develop the Indonesia Taxonomy for Sustainable Finance (TKBI) as a guidance to classify economic activities for all stakeholders that prioritizes carbon emission reduction to support economic, environmental, and social aspects.



Revise POJK No 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies through the alignment with international standards, including ISSB IFRS standards.



Develop a Financial Services Industry reporting system that covers sustainable financing in accordance with the Indonesia Sustainable Finance Taxonomy.

### Sustainable Finance Policy Initiatives in Several Sectors



Develop Climate Risk Management & Scenario Analysis (CRMS) for banking and risk-based supervision guidelines for supervisors in order to implement climate-related financial risk management.



Develop financial instruments and financing schemes for innovative and viable sustainable projects.



Develop a carbon exchange ecosystem.



Develop sustainability insurance: parametric insurance, electric vehicle insurance, and preparing Energy Saving Insurance (ESI) studies.



Increase awareness and capacity building for all stakeholders.

The adoption and implementation of Sustainable Finance in the financial services sector has been rapid with the issuance of roadmaps in various financial sectors.



2023-2027  
Roadmap of the  
Indonesian  
Capital Market



2020-2025  
Roadmap for the  
Development of  
Indonesian  
Banking



2023-2027 Roadmap for  
the Development and  
Strengthening of  
Indonesian Islamic  
Banking



2024-2027 Roadmap  
for Development and  
Strengthening of the  
Rural Bank (BPR) and  
Sharia Rural Bank  
(BPRS) Industry  
(RP2B)



2023-2027 Roadmap for  
the Development and  
Strengthening of  
Indonesian Insurance  
Industry



2024-2028 Roadmap  
for the Development and  
Strengthening of  
Financing Institutions



2024-2028  
Roadmap for the  
Development and  
Strengthening of  
Venture Capital  
Companies



2023-2028 Roadmap  
for the Development and  
Strengthening of  
Fintech Peer-to-Peer  
(P2P) Lending



2023-2027 Roadmap of the  
Financial Services Business  
Conduct Supervision,  
Education, and Consumer  
Protection

# The planned implementation of the OJK Sustainability/Net Zero Emission Roadmap



- As Indonesia's financial services regulator, OJK presents a practical example by preparing the OJK Net Zero Emission Roadmap, which will contribute to achieving Indonesia's NZE targets.
- The NZE Roadmap serves as a guide for OJK in achieving NDC, increasing resource efficiency, and enhancing the organization's reputation and stakeholder engagement.





CRMS as a tool to **assess the resilience of a bank's business model and strategy in the face of climate change** by considering physical and transition risks as triggers for additional risks in credit, market, operational, liquidity, etc.

## Governance

- Effective Supervision by the Board of Directors and Management
- Impact and Risk Mitigation
- Three Lines of Defense (operational, risk management and compliance, internal audit)

## Business Strategy and Risk Management Framework

- Business Strategy
- Risk Management Framework
- Data Development and Methodology
- Risk Identification and Measurement
- Risk Monitoring and Control
- Climate-related Risks
- **Transition Planning**

## Design and Risk Analysis

- Design Framework
- Scenario Design Adjustments toward Bank Business and Operations

## Disclosure

Reporting Disclosure related to Sustainable Finance specifically on Climate Risks Impact

## Implementation Planning

Developing a risk Management Implementation Plan related to the Climate Change Impact and its Disclosure

### The six-series of CRMS Guideline (Issued on March 4<sup>th</sup> 2024)

I. Climate Risk Management Framework

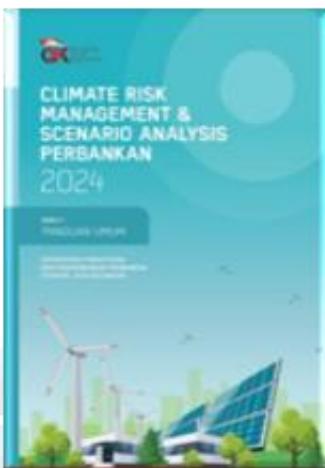
II. Technical Guidance for Climate Risk Measurement

III. Carbon Emission Calculation Methodology

IV. Indonesia's Macroeconomic Data

V. Indonesia's Physical Risks Data

VI. Working Paper on the Impact Reporting of Climate Risks and Carbon Emissions



### The Benefits of CRMS

- CRMS for Banks **serves as a bridging policy** prior to international standards related to the management and supervision of climate-related financial risks coming into effect.
- It ultimately **encourages banks to determine business strategies and risk mitigation** for a transition in financing allocation from carbon-intensive sectors to a low-carbon economy.

### CRMS Implementation Pilot Project

OJK has conducted a **pilot project for implementing CRMS for selected large banks**. The pilot project aims to **bolster the banks' capacity** to manage risks associated with climate change. Banks participating in the pilot CRMS project are expected to **gain deeper insights into their potential vulnerability to climate risks** and to **formulate appropriate strategic responses** to mitigate these risks.



# Climate-Related Fiscal Policy

## STATE REVENUE



State revenue policies are directed towards maintaining the **sustainability of natural resources and environmental management**, stimulating **investment in renewable energy and clean technology**, and ensuring a **just and affordable transition**.

- Tax facilities to stimulate renewable energy, EV, and clean technology investment (VAT cut, property tax cut, tax allowance, tax holiday, luxury tax cut for EV)
- Import duty exemption on renewable energy and/or clean technology machines and equipment.
- Non-tax revenue from forestry, fishery, and geothermal management.
- Preparation of imposing carbon tax to Coal-Fired Power Plant

## STATE EXPENDITURE



State expenditure policies also supporting **a low-carbon and climate-resilient development**, strengthening the capacity of regional expenditure through **ecological fiscal transfer**, providing fiscal buffers for **disaster financing**, and developing **green infrastructures**.

- Line Ministries mitigation and adaptation budget/spending
- Ecological Fiscal Transfer, indirect climate-related fiscal transfer such as Physical Special Allocation Fund (DAK Fisik), regional incentive fund (DID), profit sharing fund from sustainable natural resources management (DBH-DR, DBH Panas Bumi).
- Disaster Risk Financing

## BUDGET FINANCING



The financing policy is aimed to **greening the financing** through ESG framework and promote more sustainable innovative financing instruments through the implementation of **Green Bond/Sukuk Framework** and **SDG Government Securities Framework**.

- The issuance of Global Green Sukuk and Retail Green Sukuk
- The issuance of SDG Bond that consist of Social Focus, Green Focus, and Blue Focus.



# Fiscal Incentives for Renewable Energy Sources and Green and Blue Economy



100% corporate income tax reduction for up to 20 years for pioneer industries: motor vehicle manufacturing, including electric vehicles, and upstream basic metal industry, including nickel smelters for battery production.



Income tax facilities for specific industries in certain areas, including nickel mining, battery stone industry, and motor vehicle manufacturing.



**Super Deduction for Vocational Education Income Tax**  
PMK 128/2019

Income tax facilities up to 200% for vocational activities in the industry, focusing on competencies that drive the electric vehicle ecosystem.



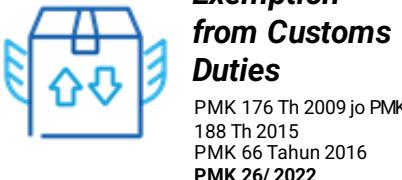
**Super Deduction for R&D Income Tax**  
PMK 153/2020

Income tax facilities up to 300% for R&D activities in Indonesia, including R&D related to electric vehicles and their components.



**Tax Facilities For Special Economic Zones**  
PP 40/2021 – PMK 33/2021

Tax incentives in Special Economic Zones include: Tax Holiday for SEZs, exemption of customs duties on capital goods imports, and exemption of VAT on imports/delivery of capital goods.



Customs duty exemption for investment in and development of electric power generation industry. 0% import duty for incompletely knocked down (IKD) electric vehicles and 0% import duty for completely knocked down (CKD) electric vehicles under various FTA/CEPA agreements including with Korea and China.



**Government-borne VAT and exemption**  
PP 49/2022  
PMK 38/2023

VAT exemption for mining goods including nickel ore used as raw material for electric vehicle batteries, and for imported machinery and factory equipment (including motor vehicle industry). Government covers VAT for electric cars and buses, at rates of 11%/10%/5% based on domestic component value.



**Luxury Goods Sales Tax 0%**  
PP 74/2021

0% PPNBM (Luxury Goods Sales Tax) for electric vehicles using battery electric vehicle or fuel cell electric vehicle technology.



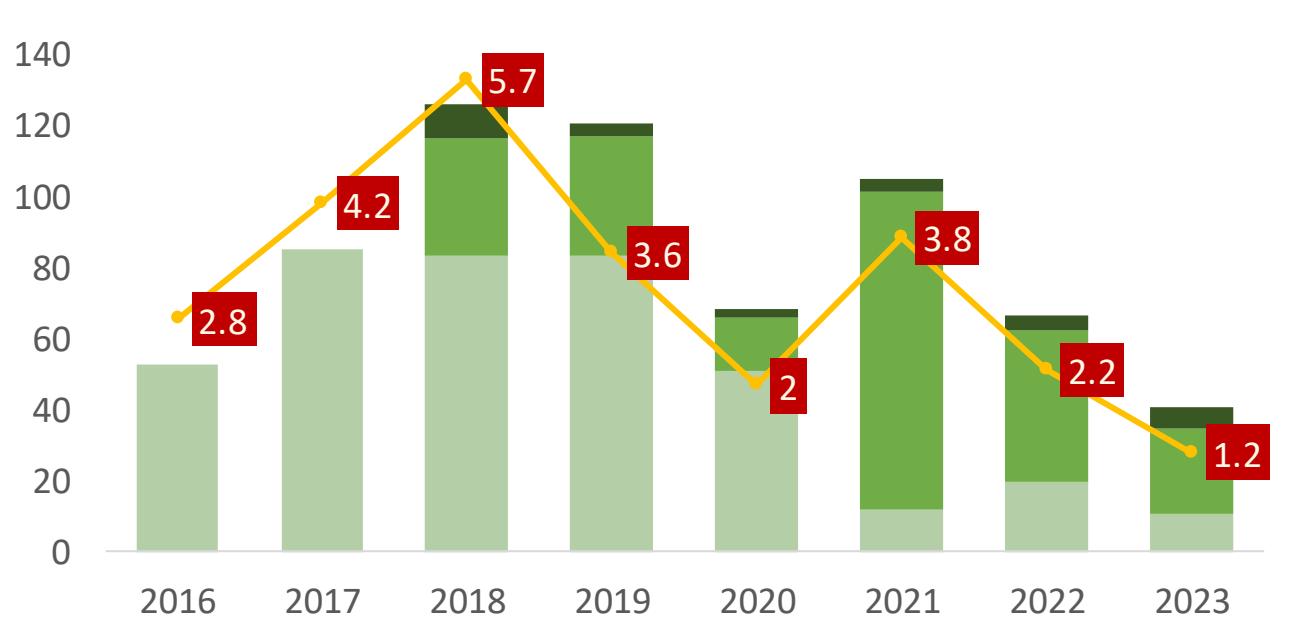
**Local Tax Incentives (PKB)**  
Permendagri 6 tahun 2023

Local tax incentives include a 0% reduction in vehicle registration fees (BBN-KB) and motor vehicle tax (PKB).



**Subsidy for the Purchase of Electric Motorcycles**  
Permen Perindustrian 21/2023

Subsidy of Rp7 million for the purchase of electric motorcycles per person.



**CUMULATIVE ACTION PROPORTION  
(2016-2023)**

56.5% **Mitigation** 39.8% **Adaptation** 3.7% **Co-Benefit**

## CUMULATIVE

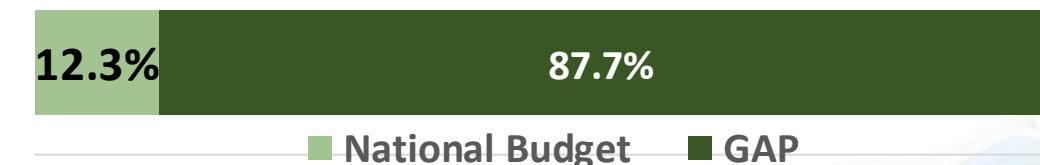
**Rp607,2 trillion atau USD 37,5 billion\***  
**Rp342,8 trillion for mitigation**  
**Rp241,9 trillion for adaptation**  
**Rp22,4 trillion for Co-Benefit**

## AVERAGE PER YEAR

**3.2% of the National Budget**  
**Rp75,9 trillion or USD 4,6 billion\***

\*1 USD = 16.206,01 IDR

**ANNUAL RESOURCES PROPORTION**  
 (for mitigation only 2018-2023 compare to mitigation financing needs on 3<sup>rd</sup> BUR)



# The Consequences of Funding for Climate Change Mitigation



## Funding Needs for Mitigation

Icon	Category	Value	Unit
	Forestry	309,01	
	Energy & Transportation	3.500,00	
	IPPU	0,93	
	Waste	185,27	
	Agriculture	7,23	
	TOTAL	4.002,44	IDR Trillion

## Funding Needs for Adaptation

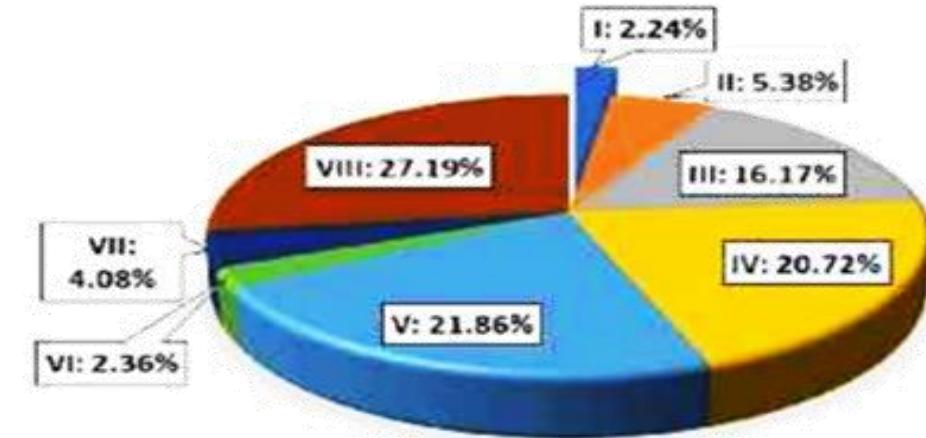
### Based on Third BUR

Financial requirement to implement adaptation action is estimated at about USD 2.3 – 12.14 billion to build resiliency and adaptive capacity to reduce the risk of loss to 2.87% of GDP.

### Within the Adaptation NDC Roadmap

Assuming an investment ratio of 30% of the estimated economic losses of 0.66% to 3.45% of GDP (Rp110.38 trillion to 577.01 trillion; 2020 rupiah value), the estimated cost of adaptation is around Rp33.12 trillion to Rp173.19 trillion.

Funding for roadmap governance (5% - 10%) and implementation of adaptation (90% - 95%).



- I. Policy Instrument
- II. Integration of development planning and finance
- III. Increasing climate literacy
- IV. Spatial-based approach
- V. Strengthening local capacity in best practices
- VI. Improvement of knowledge management
- VII. Stakeholder Participation
- VIII. Adaptive Technology Adaptation

# Climate Finance Strategy



## FINANCING RESOURCES

### DOMESTIC

#### APBN

- Central Gov. Expenditure
- Provincial Gov. Expenditure (APBD dan Dana Desa)
- Other Financing (Green Sukuk, SDGs Bond, Blue Bond, Disaster Pooling Fund)

#### Non-APBN

- Carbon Trading
- Private Sector Investment and CSR
- Financial Sector Services (Bank and Non-Bank)
- Capital Market
- Philanthropies
- SMV\*

### INTERNATIONAL

#### Bilateral

- Sovereign
- Private

#### Multilateral

- Green Climate Fund
- Global Environment Facility
- Adaptation Fund
- MDBs
- IFIs
- Carbon Trading

#### National Trust Fund



Indonesia Climate Change Trust Fund (ICCTF)

#### National Public Service Agency



Indonesia Environment Fund (BPDLH)

#### \*MOF Special Mission Vehicle



PENJAMINAN & INFRASTRUKTUR  
Garantree & Infrastructure

PT. SMI as Country Platform of:

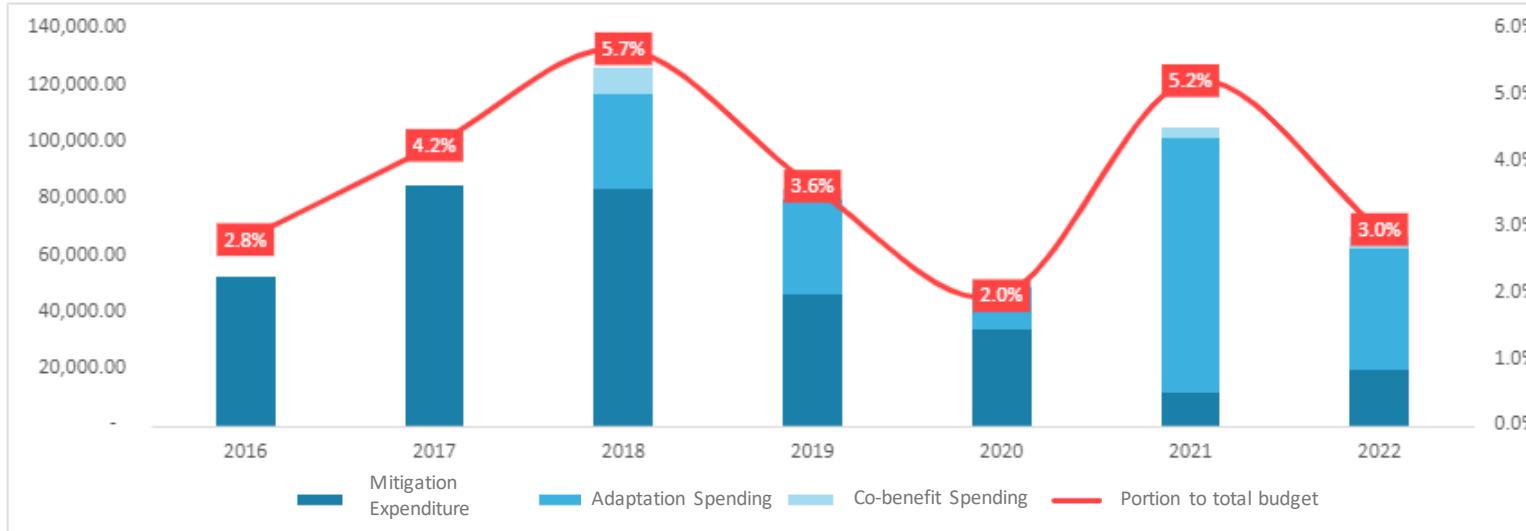


ENERGY TRANSITION  
MECHANISM (ETM)

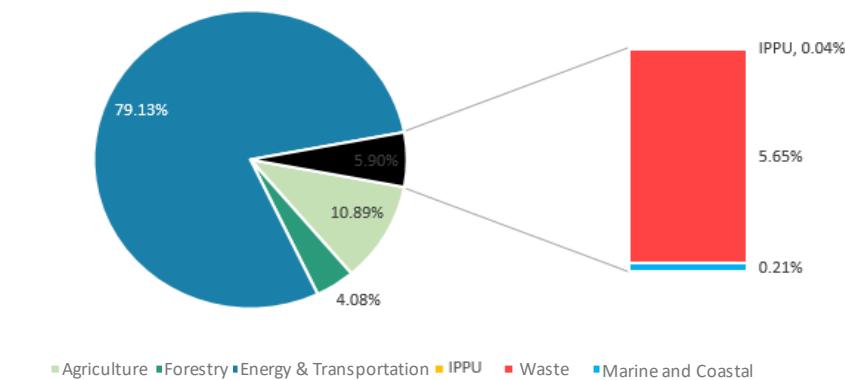
# Budget Allocation for Climate Change Mitigation and Adaptation



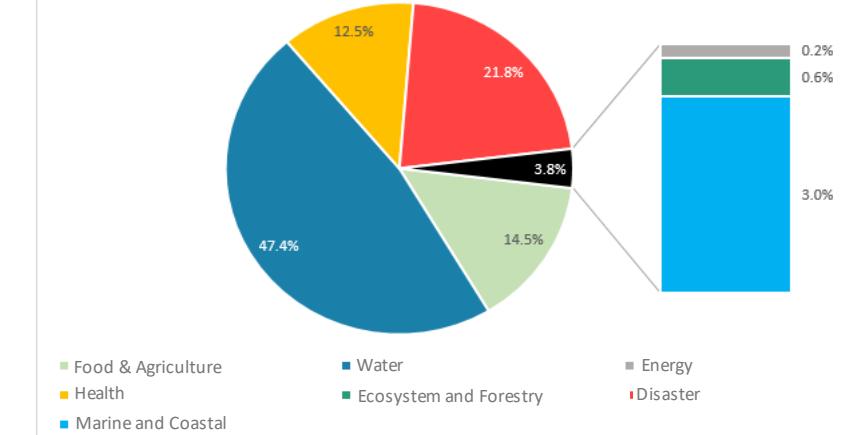
## Expenditure of Ministries/Agencies on Climate Change Management (IDR Trillion)



## Climate Change Mitigation Expenditure (2016-2022)



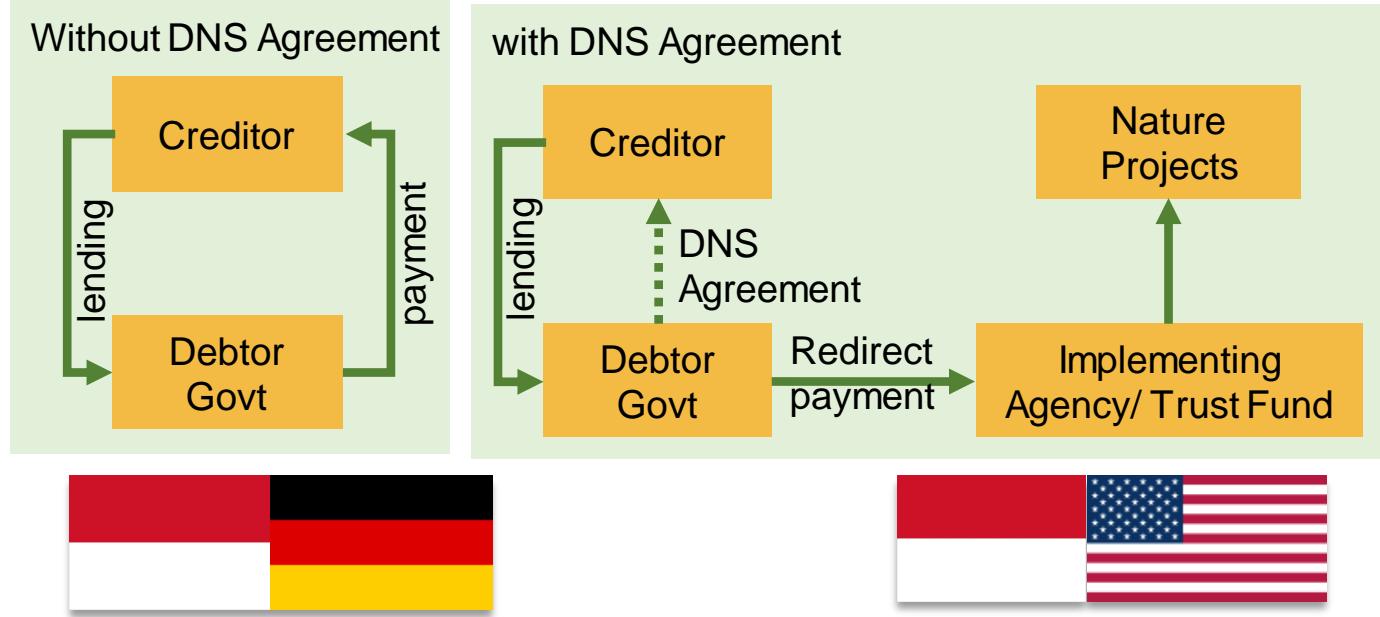
## Komposisi Belanja Adaptasi (2018-2022)



- Over the past 5 years, the government has spent approximately 3.9% of its budget (Rp86.4 trillion) on climate change mitigation and adaptation. T
- The Covid-19 pandemic has led to a decrease in state spending on climate change. With economic recovery, the portion of spending has significantly increased again in 2021.
- Additionally, there has been a shift in allocation, with the largest portion originally directed towards mitigation, but now more directed towards adaptation. Adaptation spending increased by 182% in 2021 in line with climate resilience strengthening policies.
- The recorded budget expenditure for climate change so far is Rp569.5 trillion, consisting of Rp332.8 trillion for mitigation actions, Rp214.2 trillion for adaptation, and Rp22.4 trillion for co-benefit actions.
- The average state spending for adaptation is Rp42.8 trillion per year, with the majority allocated to water resilience (47.4%), followed by disaster resilience (21.8%), food and agriculture resilience (14.5%), health (12.5%), and others (marine and coastal, marine ecosystems and forestry, and energy).



## General Framework of DNS



- Signed in 2002 and 2004
- Debt swapped EUR 25 million
- the Indonesian government should contribute EUR 12.5 million (50% of debt swapped) in rupiah to fund nature project.
- Projects: Financial Assistance for Environmental Investment for Micro and Small Enterprises Project (2006 – 2011) and Strengthening the Development of National Parks in Fragile Ecosystems Project (2007-2013)

- Signed in 2009-2021 and 2024
- Debt swapped USD 106.2 million
- the Indonesian government should contribute USD 106.2 million to fund nature project.
- Projects: Tropical Forest Conservation Act (Sumatera and Borneo Forest) and Tropical Forest and Coral-Reef Conservation Act (Sunda-Banda Kecil and Kepala Burung area)

## Opportunities:

- Indonesia is the home of tropical forest and biodiversity. Nature project is highly relevant for Indonesia
- DNS shows commitment of developed countries to support climate and nature action in developing countries.
- DNS relief debt burden for project host/debtor countries and shows their commitment on nature reservations.
- Strengthen triple helix between gov, NGO's, and society.

## Challenges:

- Limitation on Technical capacity
- Complexity of regulation
- Coordination and institutional arrangement
- Transparency and accountability



# Green Sukuk Issuance

## Proceeds from Sovereign Green Sukuk Issuance

Total issuance of **Green Sukuk** reaches **USD 6.54 billion**

### Global Green Sukuk

**US\$ 5 miliar**

2018: **USD 1.25 billion**  
Yield: 3.75%  
Tenor: 5 years

2019: **USD 750 million**  
Yield: 3.90%  
Tenor: 5.5 years

2020: **USD 750 million**  
Yield: 2.30%  
Tenor: 5 years

2021: **USD 750 million**  
Yield: 3.55%  
Tenor: 30 years

2022: **USD 1.5 billion**  
Yield: 4.70%  
Tenor: 10 years

### Retail-Domestic Green Sukuk

**Rp 21,8 triliun**

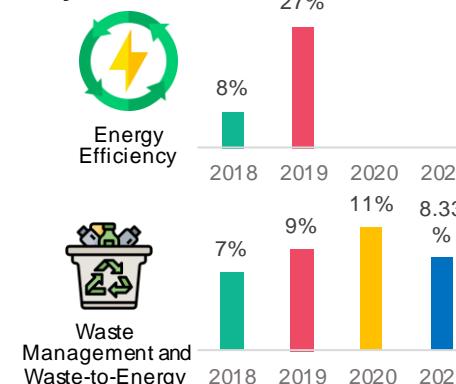
2019: **IDR 1.4 trillion**  
Yield: 6.75%  
Tenor: 2 years  
Investors: 7.735

2020: **IDR 5.4 trillion**  
Yield: 5.50%  
Tenor: 2 years  
Investors: 16.992

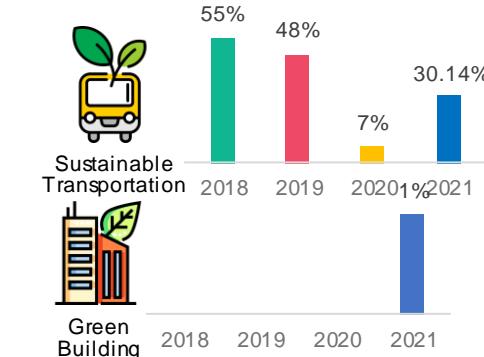
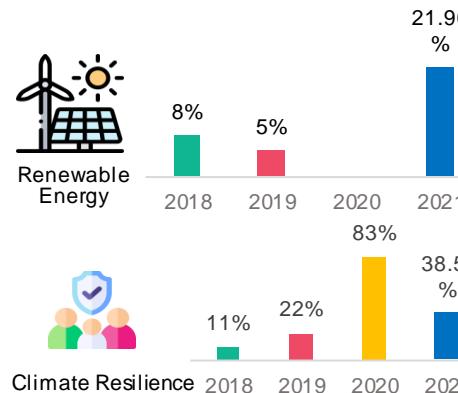
2021: **IDR 5.0 trillion**  
Yield: 4.80%  
Tenor: 2 years  
Investors: 14.337

2022: **IDR 10 trillion**  
Yield: 6.15%  
Tenor: 2 years  
Investors: 35.397

### By Sector



Source: Green Sukuk Allocation and Impact Report 2022, MOF



### Projection of Emission Reduction from Green Sukuk Issuance



### Projections of Other Social and Environmental Impacts:



The Green Sukuk Framework developed in 2018 has now evolved into the SDGs Government Securities Framework, paving the way for the issuance of SDGs Bonds and Blue Bonds that can be utilized for green sectors.

### The issuance of the first Blue Bond

Issuance date	May 2023	May 2023
Volume	JPY14.7 Bio	JPY6 Bio
Tenor	7 years	10 years
Yield	1.2%	1.43%

### Green Sukuk Allocation and Impact Report Auditors:

- 1<sup>st</sup> Allocation and Impact Report 2019: **KPMG**
- 2<sup>nd</sup> Allocation and Impact Report 2020: **PwC**
- 3<sup>rd</sup> Allocation and Impact Report 2021: **EY**
- 4<sup>th</sup> Allocation and Impact Report 2022: **EY**

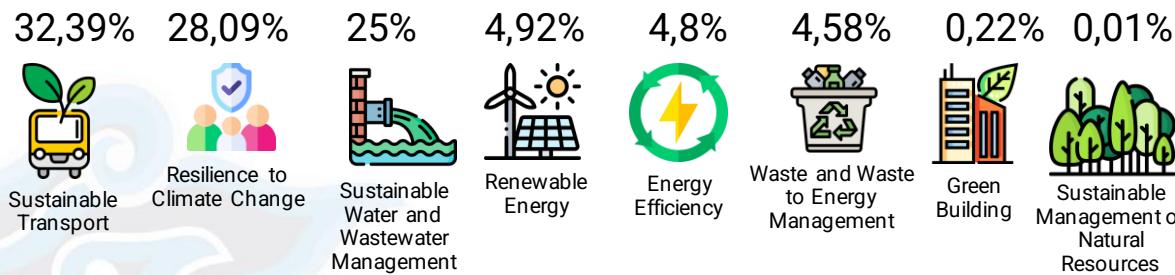


# Green Sukuk, Blue Bond, and SDG Bond Issuance



Global Green Sukuk	Domestic-Retail Green Sukuk	Project-Based Green Sukuk
<b>USD 5 billion</b>	<b>IDR 21,86 trillion (USD 1,49 billion)</b>	<b>IDR 6,73 Trillion (USD 450 million)</b>
2018: USD 1,25 billion Yield: 3,75% Tenor: 5 years	2019: IDR 1,4 trillion Yield: 6,75% Tenor: 2 years Investors: 7.735	2022: IDR 6,73 trillion Yield: 6,625% Tenor: 7 years
2019: <b>USD 750 million</b> Yield: 3,90% Tenor: 5,5 years	2020: <b>IDR 5,4 trillion</b> Yield: 5,50% Tenor: 2 years Investors: 16.992	
2020: <b>USD 750 million</b> Yield: 2,30% Tenor: 5 years	2021: <b>IDR 5,0 trillion</b> Yield: 4,80% Tenor: 2 years Investors: 14.337	
2021: <b>USD 750 million</b> Yield: 3,55% Tenor: 30 years	2022: <b>IDR 10 trillion</b> Yield: 6,15% Tenor: 2 years Investors: 35.397	
2022: <b>USD 1,5 billion</b> Yield: 4,70% Tenor: 10 years		

## Green Sukuk Cumulative Breakdown per Sector (2018-2022)



Source: Green Sukuk Allocation and Impact Report 2023

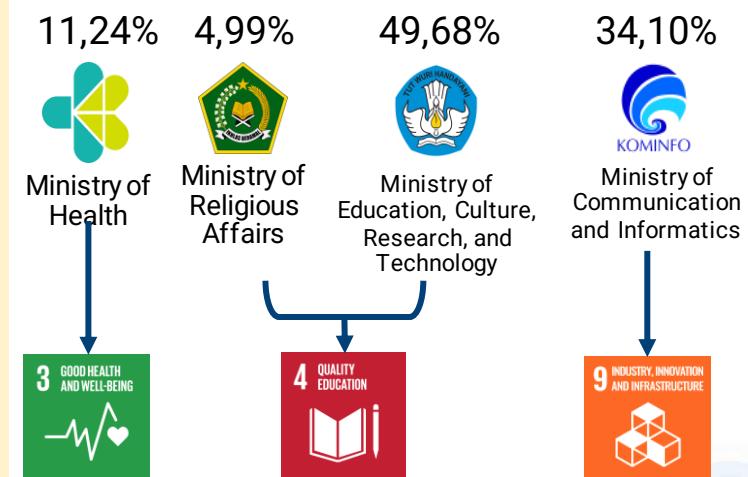
Blue Bond
<b>JPY 20,7 billion</b>
2023: <b>JPY 14,7 billion</b> Yield: 1,2% Tenor: 7 years
2023: <b>JPY 6 billion</b> Yield: 1,43% Tenor: 10 years



**Blue Bond Focus:**  
Marine and coastal development and blue carbon activities

Global SDGs Bond
<b>EUR 500 million</b>
2021: Yield: 1,35% Tenor: 12 years

## SDG Bond Cumulative Breakdown (2021)



Source: SDG Bond Allocation and Impact Report 2022



- The GCF is the operational entity of the UNFCCC financial mechanism established by the Conference of Parties (COP) in 2010.
- The largest global climate financing mechanism in the world

## Funding Areas of GCF:

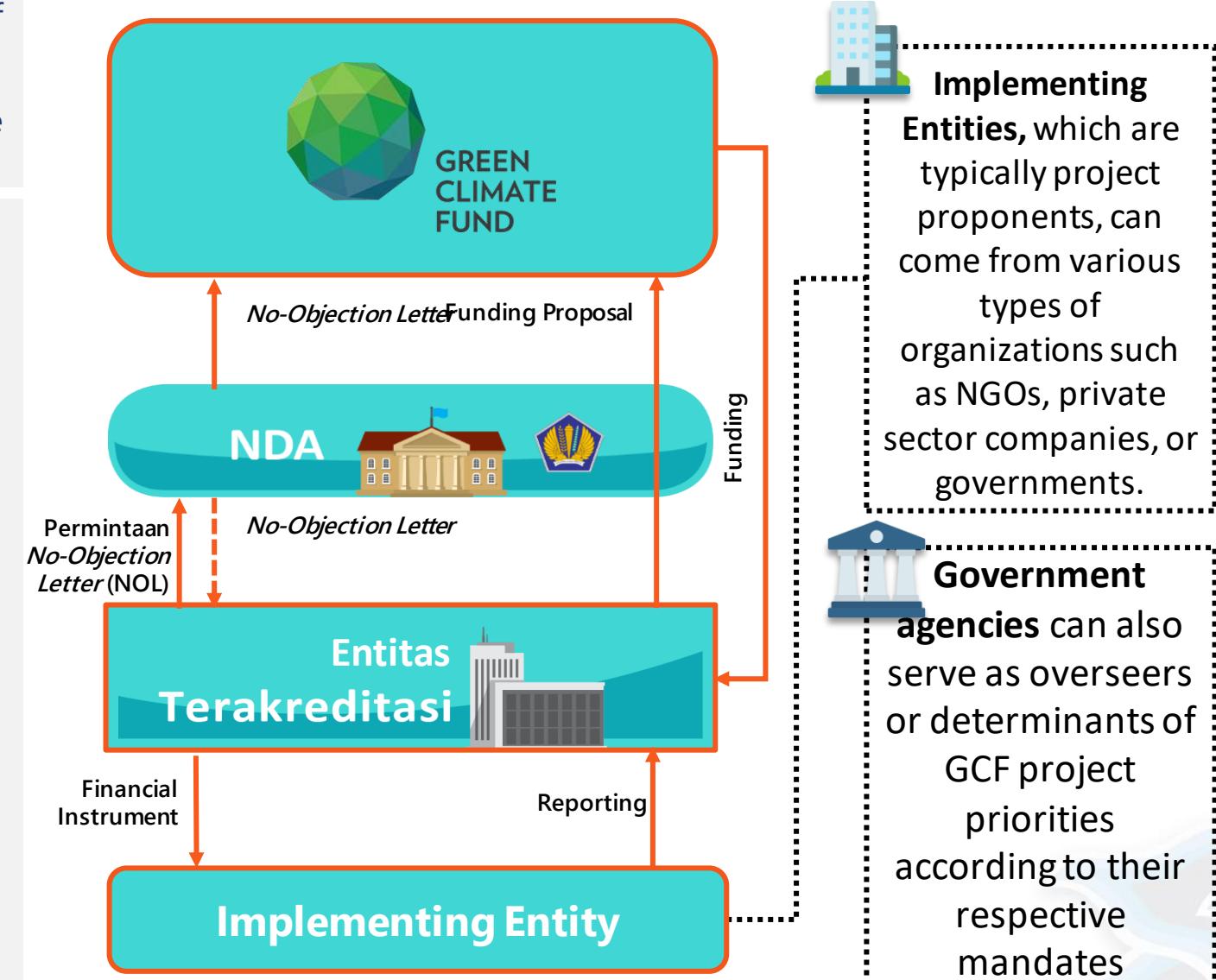
### Mitigation:

- Energy and transmission
- Transportation
- Land-based sectors and forestry
- Buildings, urban areas, industry, and supporting infrastructure

### Adaptation:

- Health, food, and clean water resilience
- Livelihoods of communities
- Built environment infrastructure
- Ecosystems and ecosystem services

## The Architecture of the Green Climate Fund and the Role of National Actors





**16** projects  
 • 3 country-specific  
 • 13 multi-country

**943 million\***  
 ton CO2eq

**15.3 million\***  
 beneficiaries

Total GCF Funding  
 Allocation for Indonesia

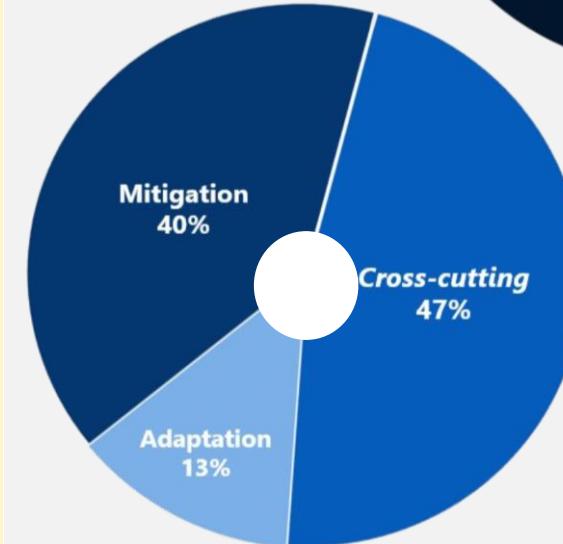
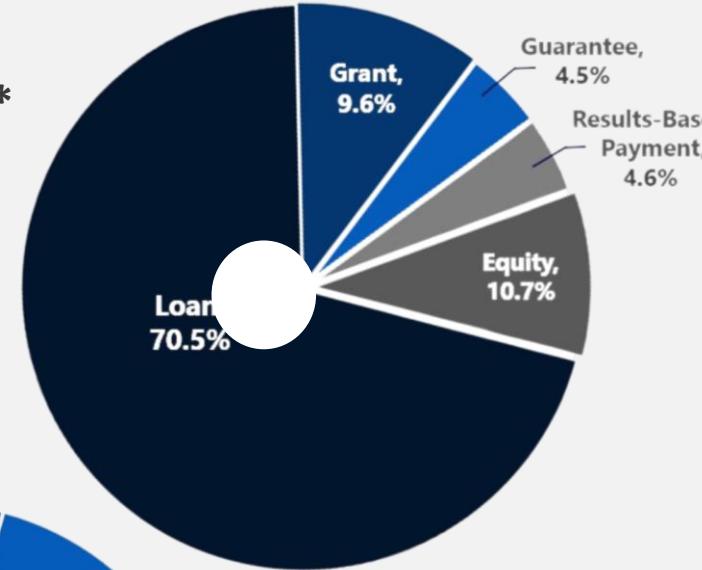
**520.7 million\*\***

Source: Web GCF

\*Allocation of funding and the  
 impact of multi-country projects  
 on Indonesia based on indicative  
 data

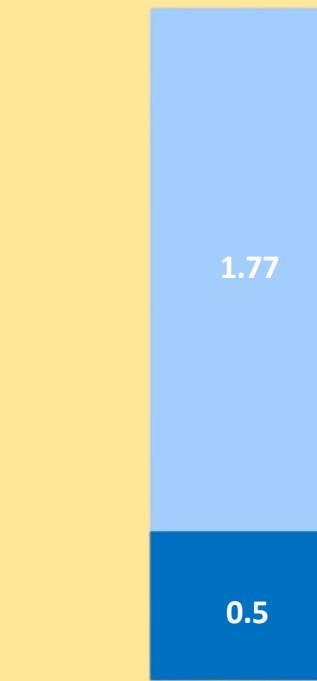
\*\* Excluding co-financing

**GCF Funding Instruments\***  
 (%)

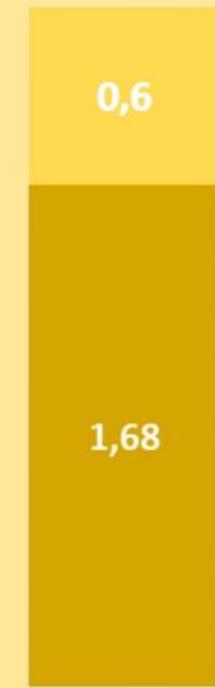


**Amount of  
 Funding by  
 Target\***  
 (%)

**Total Project Value\***  
 (in billion USD)



**Total Funding by  
 Sector\***  
 (in billion USD)



■ GCF Funding ■ Co-Financing

■ Public ■ Private

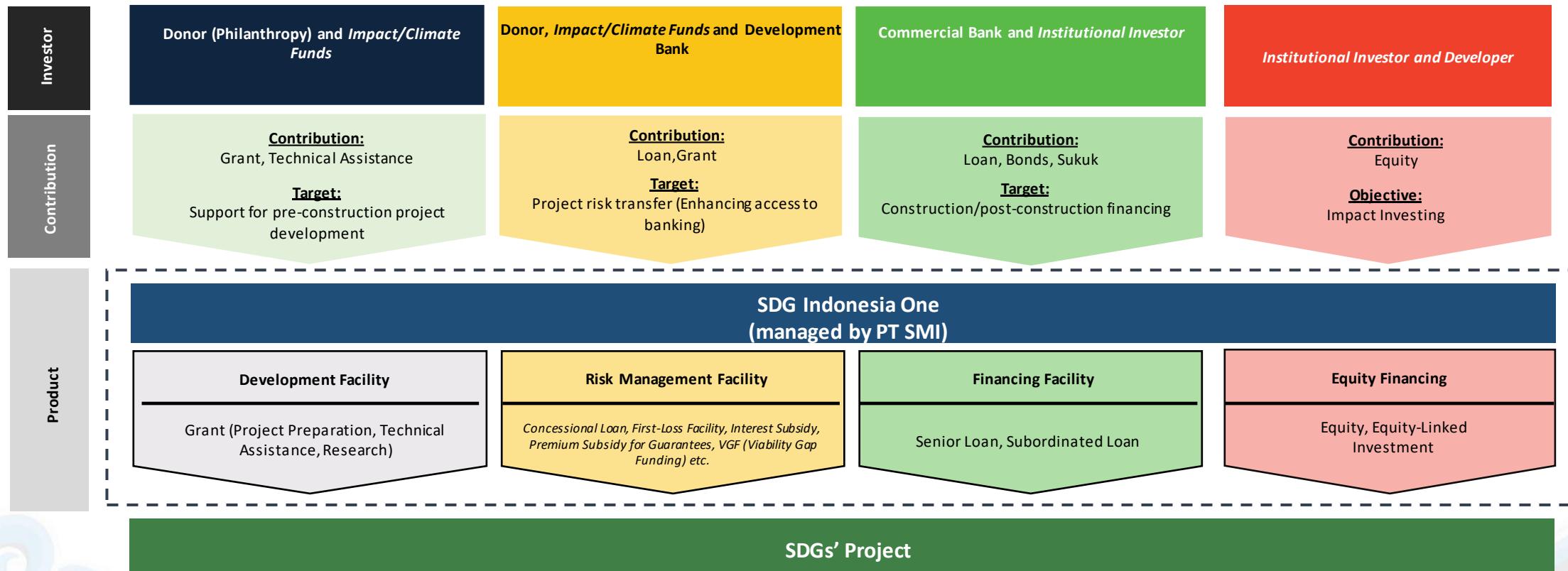


# SDG Indonesia One

SDG Indonesia One is an innovative financing instrument that supports infrastructure development in achieving 16 out of the 17 SDG goals



## SDG INDONESIA ONE FINANCING SCHEME



The Health, Education, Renewable Energy (EBT), and urban infrastructure sectors (transportation, water & waste management)\*

\*potentially expandable



# Highlight SDG Indonesia One – as of June 2024

## SDG Indonesia One Support Throughout Indonesia



**37**

Partners

International Organizations
Multilateral Organizations
Bilateral Organizations
Development Banks
Commercial Banks
Philanthropies
Governments
Corporations



## Fund Mobilization\*



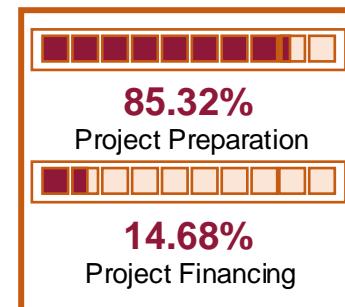
\$3,13 billion commitment

\$811 million agreement

\$349 million realized



## Blended Finance Projects

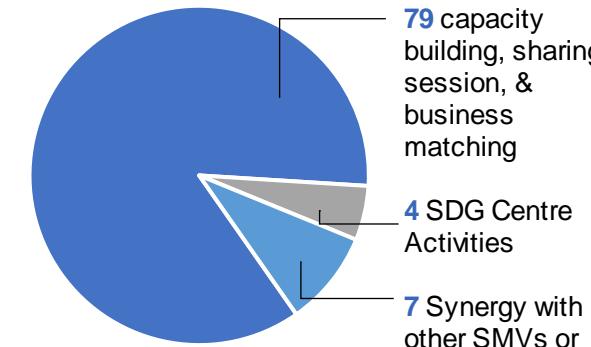


94 Project Preparation  
22 Project Financing

**Σ116**  
Projects



## Ecosystem Enabler Activities



**Σ 90**  
Kegiatan

## Ongoing Programs



Renewable Energy



Waste Management



Health



Water

## 2024 Achievement

### 1 Project Preparation

Technical Assistance for project preparation

### 0 Project Financing

Project financing through SDG Indonesia One platform

### 10 Activities

capacity building, sharing session, dan public communication held with SIO partner

\*) Exchange rate as of 28 June 2024: USD/IDR=16,421



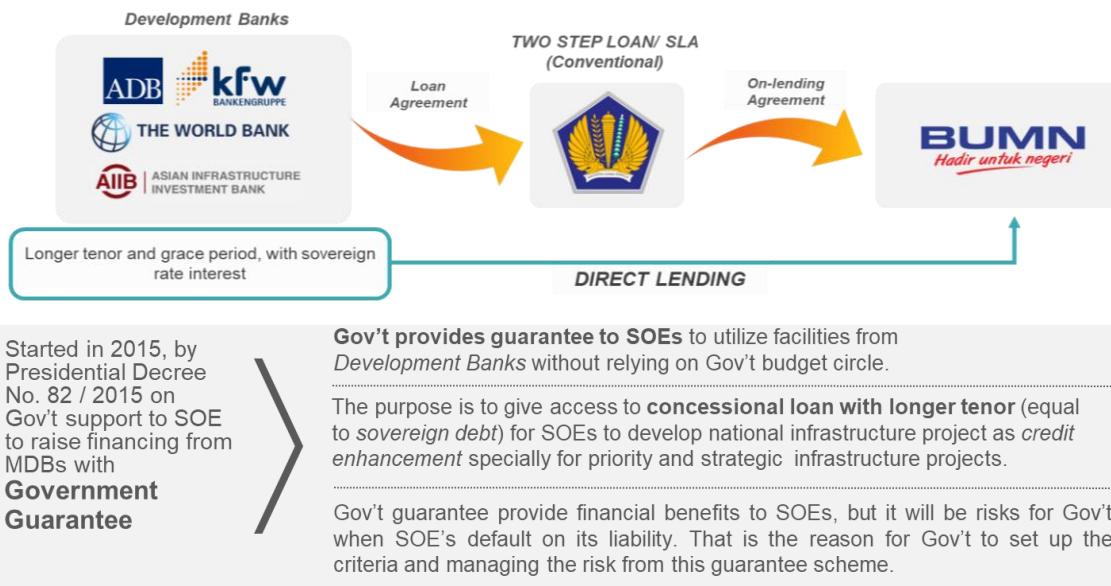
- To promote new and renewable energy development, the Government provides fiscal support in the form of **government guarantee for electricity projects (credit guarantee and business viability guarantee)**, **guarantee for SOEs direct lending from international financial institutions**, and **Geothermal Fund Facility (PISP Fund)**.
- Several guarantees have been provided to renewable energy power plant construction and Power Purchase Agreement (PPA), i.e hydropower, geothermal, and solar PV.
- PISP funds (and its co-finance), can be used for geothermal development in the exploration stage and eligible for *Government Drilling, SOE Drilling/Public Window, and Private Drilling/Private Window*.

### PISP Fund Exploration Financing Facilities (MOF Regulation 80/2022)

Objective	Unlocking geothermal market by providing support and financing for geothermal exploration
Fund Manager	PT Sarana Multi Infrastruktur (SMII)
Total Funds	IDR 3,1 Trillion (revolving fund)
Fund Distribution	Loans and data provisions
Main feature	De-risking facility for exploration stage
PISP Co-Financing	<ul style="list-style-type: none"> <li>Geothermal Energy Upstream Development Project (GEUDP) - World Bank; CTF grant (USD49million) and GEF grant (USD6,25million).</li> <li>Geothermal Resource Risk Mitigation (GREM). Total USD655 million (loan, grant, and PISP co-finance)</li> </ul>

Source: Ministry of Finance

### Direct Lending with Government Guarantee (MOF Regulation 189/2015)



# The Framework of Sovereign Green Sukuk and SDG Bond



## Republic of Indonesia Green Bond/Sukuk Framework \*)

An Islamic sovereign green bond that aligned with green bond principle and sharia financing rules

**Used of proceeds** 100% for new financing and refinancing of green projects. The green eligible sectors consist of:

- Renewable energy
- Use of clean technology for power generation
- Energy and waste management
- Sustainable natural resources management
- Sustainable agriculture
- Sustainable transportation
- Green tourism
- Green building
- Resilience to climate change for disaster risk areas

Using Climate Budget Tagging mechanism in **project evaluation and selection** process and **manage the proceeds** by ensuring the fund flows to selected green projects

**Reporting** the allocation and impact in reducing GHG emissions and other economic and social additional benefits.

## Aligned with International Standards & Principles

All Green and SDGs Securities issued under The Republic of Indonesia ("ROI") SDGs Government Securities Framework will align with international standards and principles



### Pillar 1 Use of Proceeds

### Pillar 2 Project Evaluation and Selection

### Pillar 3 Management of Proceeds

### Pillar 4 Reporting

## Republic of Indonesia SDGs Government Securities Framework

A budget financing instrument that aligned with sustainable bond principle to finance SDGs-related programs

**Used of proceeds** 100% for new financing and refinancing of eligible SDGs-related expenditures (green and social expenditures):



Climate mitigation and adaptation activities



Positive social outcome activities (health, education, zero-hunger, stunting, etc)



Marine and coastal development and blue carbon activities

Using Climate Budget Tagging (Green & Blue) and Dynamic Tagging (Social) mechanism in **project evaluation and selection** process and **manage the proceeds** by ensuring the fund flows to selected SDGs projects

**Reporting** the allocation and impact in several SDGs related indicators in respective expenditure focus

\*) Green Sukuk issued in 2018-2021 followed the ROI Green Bond and Green Sukuk Framework. Starting 2022 onwards, Green and SDGs Securities follow the SDGs Framework.



# Sustainability-related Debt Securities/Sukuk



The issuance of regulation on Sustainability-related Debt Securities, i.e., sustainability-related debt securities/sukuk, sukuk-linked waqf, and sustainability-linked debt securities/sukuk in October 2023 as a legal basis for innovative sustainable finance instruments.



## Green Bonds/Sukuk

Bonds/Sukuk proceeds from its issuance are used to finance or refinance **green projects**



## Social Bonds/Sukuk

Bonds/Sukuk proceeds from its issuance are used to finance or refinance **social projects**



## Sustainability Bonds/Sukuk

Bonds/Sukuk proceeds from its issuance are used to finance or refinance **green and social projects**



## Sukuk-linked Waqf

Sukuk proceeds from its issuance are used to finance or refinance activities/projects to **waqf projects**

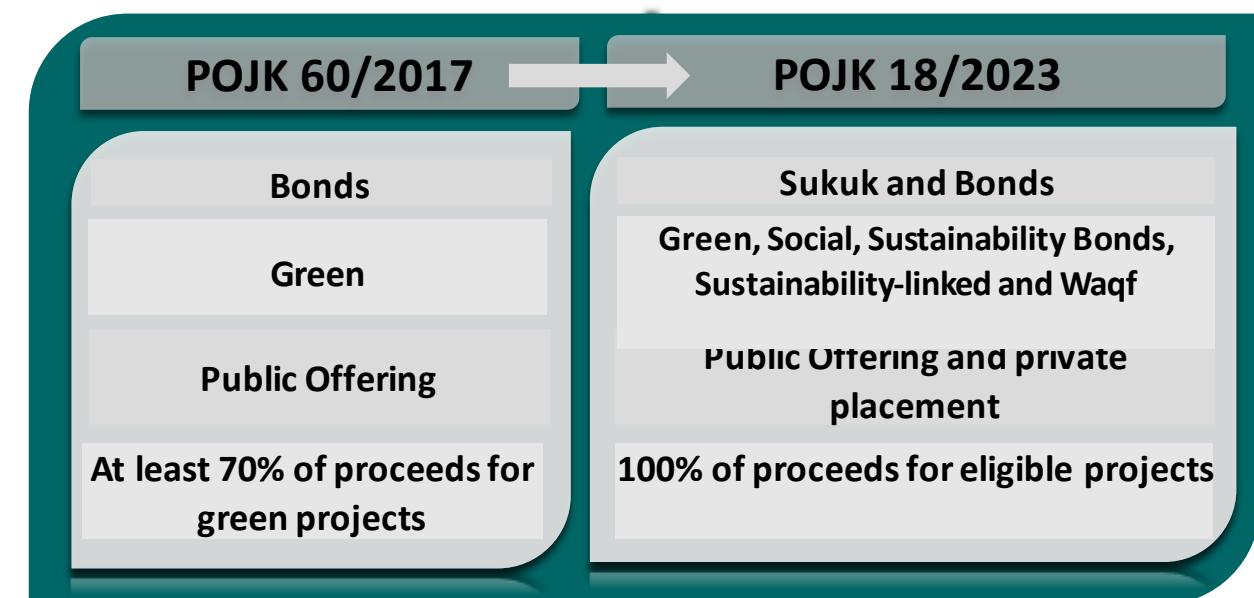


## Sustainability-linked Bond/Sukuk

Bonds/Sukuk issuance are linked to the achievement of certain key sustainability performance indicators



## Other Sustainability-related Bond/Sukuk



## Incentive

**75% off** on registration fee  
**50% off** on listing fee

# Indonesia Taxonomy for Sustainable Finance (TKBI)



**Indonesia Taxonomy for Sustainable Finance** is a classification of economic activities that support Indonesia's Sustainable Development Goals, encompassing **economic, environmental, and social aspects**.

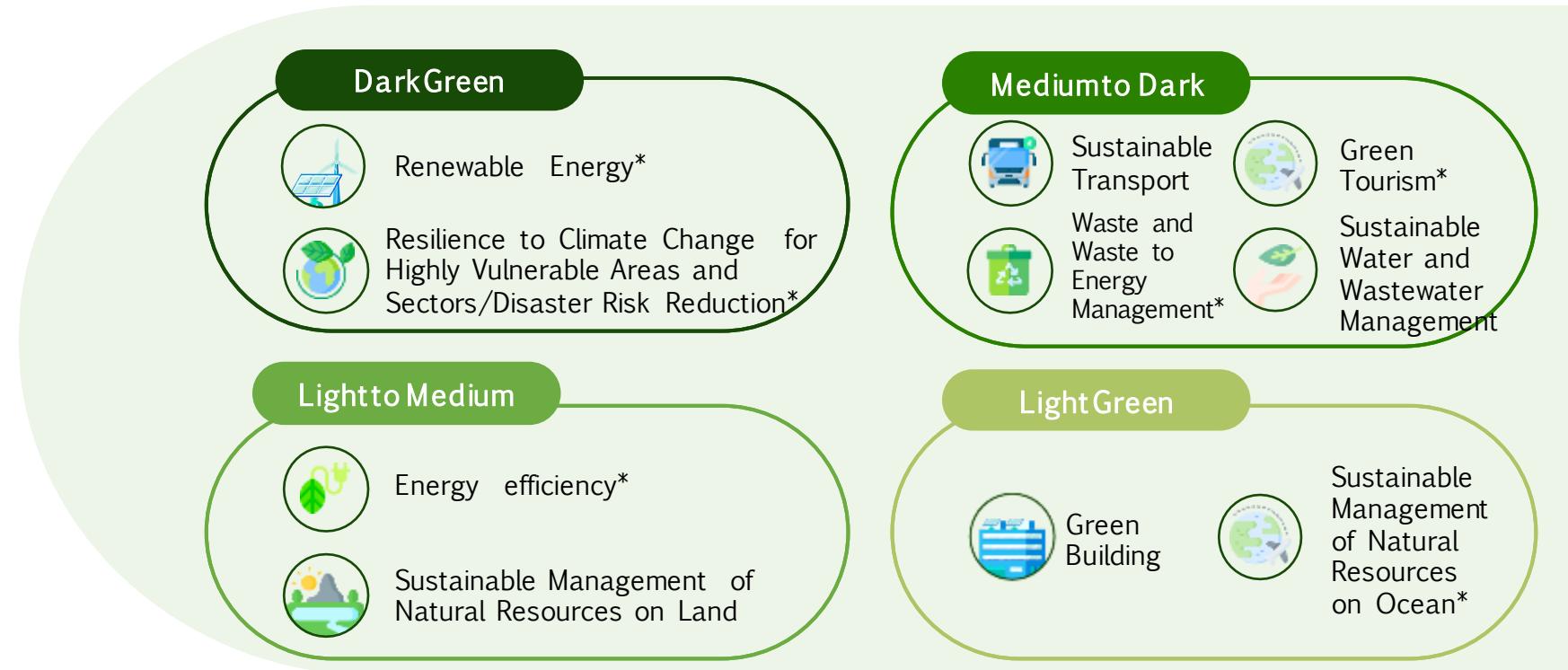


# Indonesia SDG Government Securities Framework (cont)



Updated Green Bond and Sukuk Framework which the Republic of Indonesia can Finance and Refinance Selected Eligible Projects (of social (SDGs), green or blue projects)

## Eligible SDGs Expenditures with Green and Blue focus



\* Eligible SDGs Expenditures with Green focus can be further linked to Blue (ocean related) projects

## Alignment with the RDI's 2030 SDGs Target





Updated Green Bond and Sukuk Framework which the Republic of Indonesia can Finance and Refinance Selected Eligible Projects (of social (SDGs), green or blue projects) are cv D7YC34E

## Eligible SDGs Expenditures with Social focus



Employment Generation including through the Potential Effect of SME Financing and Microfinance



Socioeconomic Advancement and Empowerment



Access to Essential Services



Food Security and Sustainable Food Systems



Affordable Basic Infrastructure

## Alignment with the RRI's 2030 SDGs Target



The Framework Excluded Use of Proceeds for



New Fossil Fuel-Based Electric Power



Large Scale Hydropower > 30 MW



Nuclear Assets

# External Review of Indonesia SDGs Government Securities Framework



Engaged with CICERO and IISD to Adhere to the Best Market Practice of External Reviews

## Joint Second Party Opinion from CICERO Shades of Green<sup>1</sup> and IISD<sup>2</sup>



\*CICERO  
Shades of  
Green



International Institute for  
Sustainable Development

### Extracts of Republic of Indonesia SDGs Framework Second Opinion

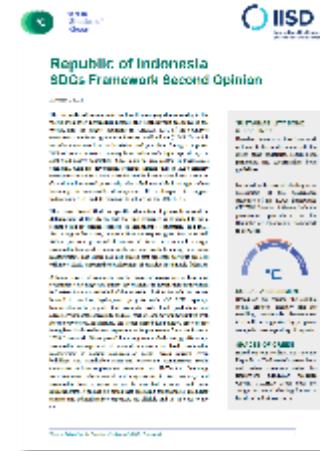
“In alignment with the **green bond principles, social bond principles, and sustainability bond guidelines.**”



“CICERO Shades of Green governance procedures in the Republic of Indonesia’s framework to be **Good.**”

“Eligible social projects credibly aim for enabling **sustainable development** that will be supported by proposed **comprehensive reporting of impacts**”

“We rated Republic of Indonesia’s green bond and sukuk issuances under this framework **CICERO Medium Green**”.



## Aligned with Best Practice and to Obtain Assurance on Post-Issuance Annual Reporting

The Republic of Indonesia will engage an independent third party to provide assurance on its annual reporting on Green and SDGs Securities and the compliance of each Green and SDGs Securities issued with this Framework

Source: Joint Second Party Opinion from CICERO and IISD on the Republic of Indonesia SDGs Government Securities Framework  
Note:

1. CICERO is a global, independent, research-based second party opinion provider on green bond frameworks

2. IISD is a Second Party Opinion provider offering practical solutions to the growing challenges and opportunities of integrating environmental and social priorities with economic development

Source: Ministry of Finance

# Development Of Innovative Financing Instruments

Demonstrate Rol's major advance for sustainable finance



The Republic of Indonesia's **Green Sukuk** demonstrates the government's commitment to addressing climate change and mainstreaming innovative financing to achieve the SDGs, while also strengthening Indonesia's position in the global Shariah market.

- **Global sukuk issuance (2018-2024)** : **USD 6.5 Bio**
- **Retail domestic sukuk issuance (2019 – 2024)** : **IDR 35.8 T**
- **Wholesale domestic sukuk issuance (2022-2024)** : **IDR 30.23 T**



The debut "Sustainable Development Goals" ("SDG") bonds in 2021 is an important step forward in the Republic's commitment to the achievement of the SDGs, and a major advance for sustainable finance. In 2022, Gol also issued the SDG bonds in the domestic market.

On September 3rd 2024, the Gol has successfully issued SDG Bonds amounting to EUR 750 million (settlement).

- **Global SDG Bonds issuance (2021)** : **EUR 1.25 Bio**
- **Wholesale domestic SDG Bonds issuance (2022-2024)** : **IDR 12.16 T**



- On 19 May 2023, Gol successfully issued Samurai Bond with the **debut Blue Bonds in 7-year and 10-year tenors totalling JPY 20.7 billion**.
- On 17 May 2024, the Government once again succeeded in issuing **Samurai Blue Bonds amounting to JPY 25 billion** which was part of 7 years and 10 years, as well as whole of 20 years tenor.
- The issuance of Blue Bonds is also in line with the Government's financing strategy to diversify financing instruments as well as to widen the investor basis.

**Navy Blue (high relevance):** Waste management, Marine and coastal protection and restoration of biodiversity and ecosystems, Sustainable fisheries.

**Sapphire Blue (moderate relevance):** Disaster management and risk reduction, Marine renewable energy, Ecotourism.

# 2023 Republic of Indonesia Global Green Sukuk USD1.00 Billion



<b>Issuer</b>	Republic of Indonesia through Perusahaan Penerbit SBSN Indonesia III
<b>Issuer Rating</b>	Moody's: Baa2 (Stable) / S&P: BBB (Stable) / Fitch: BBB (Stable)
<b>Format</b>	144A / Reg S
<b>Settlement Date</b>	November 15 <sup>th</sup> , 2023
<b>Tenor</b>	10 Year
<b>Maturity Date</b>	November 15 <sup>th</sup> , 2033
<b>Issue Size</b>	<b>USD1.00 billion</b>
<b>Profit Rate</b>	5.60% p.a
<b>Reoffer Price</b>	100.00%
<b>Use of Proceeds</b>	In line with Roi'S SDGs Government Securities Framework
<b>Listing</b>	SGX-ST and Nasdaq Dubai
<b>Joint Bookrunners</b>	CIMB, Citigroup, Dubai Islamic Bank, Mandiri Securities and Standard Chartered Bank
<b>Co-Managers</b>	PT BRI Danareksa Sekuritas and PT Trimegah Sekuritas Indonesia Tbk

## Transaction Highlights

- The USD1.00 billion 10-year global green sukuk issuance is part of two-tranches USD2.00 billion Roi sukuk issuance in international market at November 2023.
- The transaction received **positive response from investors** since the start of bookbuilding, generating final order book of US\$ 2.8 billion for 10-year tranche, reflecting an oversubscription of 2.8x.
- The **tightest 10-year spreads** at issuance achieved by an ASEAN sovereign in the last 2 years
- The **lowest new issue premium** achieved by the Roi in the USD markets in the last 2 years
- The successful 6<sup>th</sup> issuance of global green sukuk demonstrates the **Roi's dedication and commitment to green and sustainable finance**, as well as diversifying financing methods in the effort against climate change.

Source: Ministry of Finance

# 2024 Republic of Indonesia Samurai Bonds Deal Review



Issuer	Republic of Indonesia						
Bond Rating	Baa2 (Moody's), BBB (S&P), BBB (Fitch)						
Format	Samurai						
Pricing Date	May 17, 2024						
Settlement Date	May 27, 2024						
Total Size	JPY 200bn						
Tenor	3 years	5 years	7 years	10 years	7 years	10 years	20 years
Maturity	May 27, 2027	May 25, 2029	May 27, 2031	May 26, 2034	May 27, 2031	May 26, 2034	May 27, 2044
Tranche Size	JPY80.0bn	JPY88.0bn	JPY17.7bn	JPY19.3bn	JPY2.0bn	JPY6.8bn	JPY16.2bn
Coupon (p.a.)	0.99%	1.33%	1.57%	1.91%	1.57%	1.91%	2.55%
Reoffer Spread (bp)	MS+50	MS+70	MS+80	MS+92	MS+80	MS+92	MS+103
JLM	Daiwa / Mizuho / Nomura / SMBC Nikko						

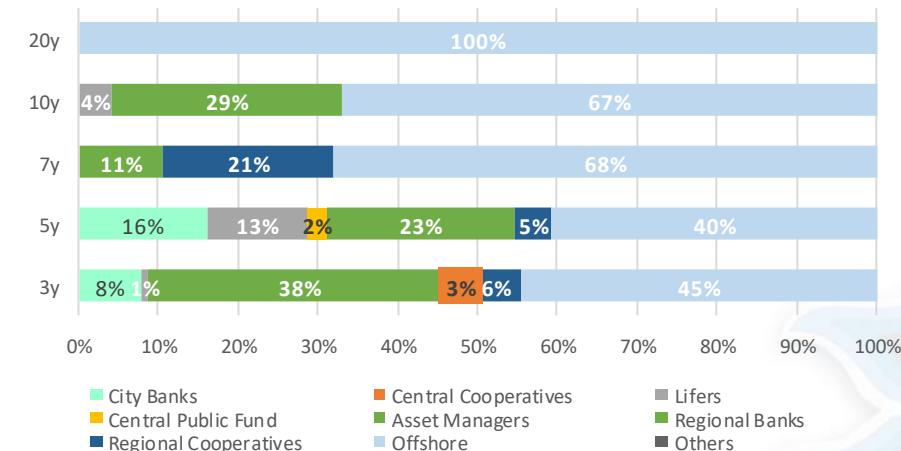
Source: Ministry of Finance

Blue Bond

## Deal Highlight

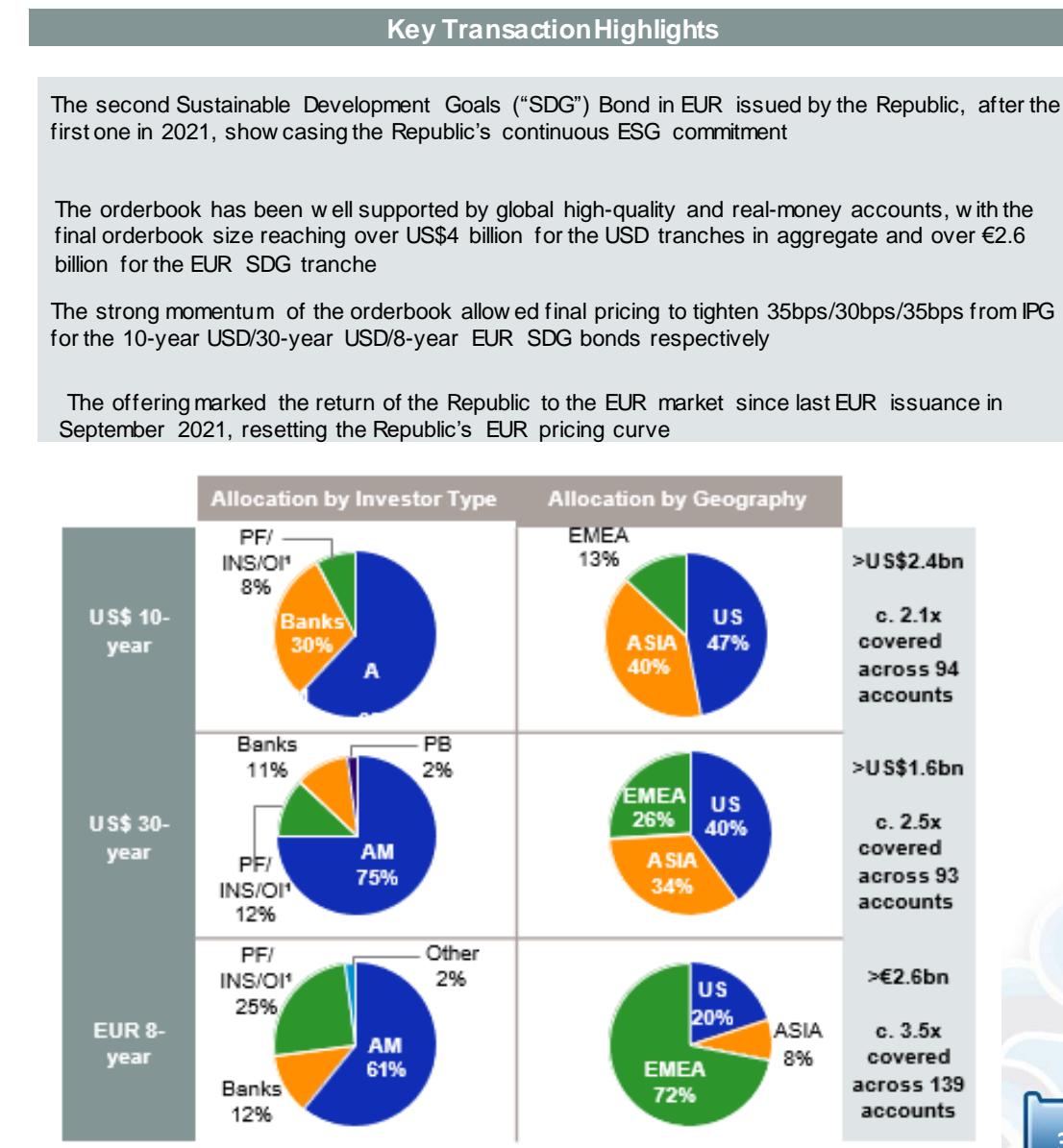
- On May 17, the Republic of Indonesia ("RoI") successfully priced a JPY 200bn multi-tranche Samurai Bonds transaction with blue tranches, marking the tenth consecutive year to access to the Samurai market as well as RoI's second blue bonds following the inaugural issuance last year.
- The transaction marked a number of important milestones including:
  1. The largest transaction size from RoI in the JPY bond markets with well oversubscribed orderbook
  2. The largest issuance size from a sovereign issuer in the history of the Samurai market
  3. The largest (JPY 25bn) and longest (20yr) blue bond issuance ever in the JPY bond markets
- The RoI has successfully priced 3yr and 5yr at spreads below those of the previous year and achieved the largest issue volume in 7yr and longer tranches, and issuance of 20 year for the first time since 2021. The successful transaction underscores the robust yen bond market and the strong investor base bolstered by RoI's annual issuances.

## Investor Breakdown



# 2024 Republic of Indonesia Global Bonds SEC 15 Deal Review

Format:	SEC Registered		
Issue Ratings:	Baa2 (Moody's) / BBB (S&P) / BBB (Fitch)		
Tranche:	US\$ 10 Year	US\$ 30 Year	EUR 8 Year SDG
Issue Size:	US\$1.15bn	US\$650mm	€750mm
Settlement Date:	10 Sep 2024	10 Sep 2024	10 Sep 2024
Maturity Date	10 Sep 2034	10 Sep 2054	10 Sep 2032
Initial Price Guidance:	5.150% area	5.500% area	MS+160 bps area
Final Price Guidance:	4.800% (#)	5.200% (#)	MS+130 bps area
Pricing:	4.800%	5.200%	MS+125 bps
Reoffer Price:	99.607	99.245	99.503
Reoffer Yield:	4.800%	5.200%	3.723%
Coupon:	4.750%	5.150%	3.850%
Denominations:	US\$200,000 / 1,000		EUR100,000/1,000
US\$ 10Y & 30Y: General Purpose			
Use of Proceeds:	EUR 8Y: The Republic intends to invest an amount equal to the net proceeds in projects that may qualify as Eligible SDGs Expenditures under Republic of Indonesia's ("the Republic") SDGs Government Securities Framework		
Listing:	SGX-ST and Frankfurt Stock Exchange		
Governing Law:	New York Law		



# Indonesia's Green Initiatives: Financing Green Projects



## Indonesia's Green Projects Financed by a Combination of Green Sukuk and Other Funding Sources

### 2022 GLOBAL GREEN SUKUK ISSUANCE

■ Financing of 2022 Fiscal Year Projects ■ Refinancing of 2021 Fiscal Year Projects

#### Breakdown by Sector



### 2022 RETAIL GREEN SUKUK ISSUANCE (ST-009)

■ Refinancing of 2020 Fiscal Year Projects

#### Breakdown by Sector



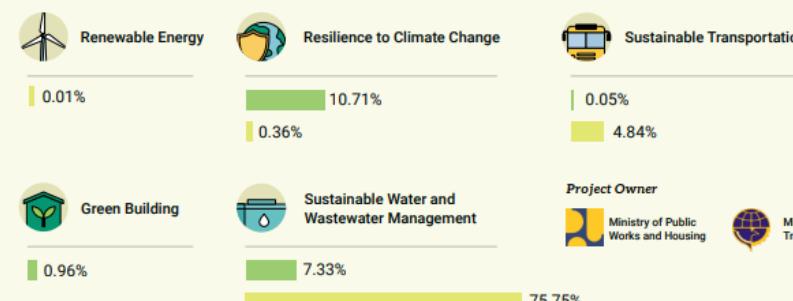
#### Project Owner



### 2022 PROJECT BASED GREEN SUKUK ISSUANCE

■ Refinancing of 2021 Fiscal Year Projects ■ Refinancing of 2020 Fiscal Year Projects

#### Breakdown by Sector



### 2021 RETAIL GREEN SUKUK ISSUANCE (ST-008)

■ Financing of 2021 Fiscal Year Projects ■ Refinancing of 2020 Fiscal Year Projects

#### Breakdown by Sector



#### Project Owner



#### Note:

Information extracted from Green Sukuk Issuance Allocation and Impact Report 2023, which has obtained a limited assurance statement from EY. Projects were financed in Indonesian Rupiahs and the currency exchange rate is based on the State Budget Assumption for 2022 budget year of IDR 14,350 per USD.

Source: Ministry of Finance



## Projected Environmental and Social Impact For 2022 Global Green Sukuk Issuance

The following impact data are accumulated from the projects financed by the 2022 Global Green Sukuk, 2022 Project Based Sukuk, 2022 Retail Green Sukuk, and 2021 Retail Green Sukuk.



### Renewable Energy

- Contribute towards annual GHG emission reduction of **130,316.39** tonnes CO<sub>2</sub>e from the installations of rooftop solar PV and aids to sea navigation devices.
- Provide **energy efficiency**, streamline **shipping navigation**, and improve **shipping safety**.



### Resilience to Climate Change for Highly Vulnerable Areas and Sectors/Disaster Risk Reduction

- Projected to improve the service capacity discharge of raw water structures and infrastructure to achieve the national standardised target at **4.10 m<sup>3</sup>/s** from the construction/rehabilitation of 685 raw water units and **50 km** groundwater irrigation network, benefitting areas prone to flood and drought.
- Reduce the vulnerability** of urban and coastal areas prone to floodings from the development and **rehabilitation of 233 km** riverine flood control and **98 km** coastal protection structures in the serviced provinces.



### Sustainable Transport

The railway infrastructure and facility development has yet to **significantly contributed towards GHG emission reduction** due to the declining trend in public transportation use as resulted from social restriction policies as well as the shift in lifestyle and movement pattern during the COVID19 pandemic.



### Green Building

Set a green building model through the construction of **university facilities and infrastructure** in accordance with the building technical standards and green building principles.



### Waste to Energy and Waste Management

Improve municipal solid waste management, projected **to benefit a total of 3.7 million people**.



### Sustainable Management of Natural Resources on Land

Contribute towards **ecosystem restoration** through forest and land rehabilitation in North Sulawesi Province, particularly the Likupang special economic zone



### Sustainable Water and Wastewater Management

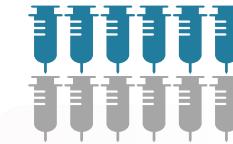
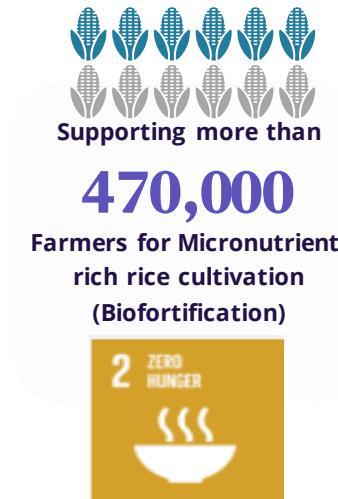
- Enhance the **service capacity of water supply** for **±284,628 hectares of agricultural areas** that are prone to flood and drought through the **development/rehabilitation of 33 units of irrigation area** along with
  - Enhance the reservoir storage **1,158 km<sup>3</sup>** water surface/swamp/coastal pond irrigation networks; capacity of natural and artificial water storages at **±4,482 million m<sup>3</sup>** through the development and rehabilitation of 447 smaller and larger dams, 18 lakes and 119 rain-fed water storage (embung);
  - Enhance drinking water treatment capacity service discharged at about **150 - 1,100 litres per second**, and the wastewater treatment capacity through the construction/rehabilitation of the water treatment plants and house connection.



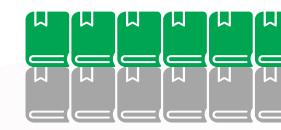
# The Impact of SDG Bond Issuances

- The government has meticulously prepared an annual report detailing the allocation and impact of projects funded by the issuance of the 2021 Sustainable Development Goals (SDG) Bond.
- This report serves as a mechanism for accountability to the public, showcasing our concerted efforts to achieve the SDGs.
- It is readily accessible to the public through the Directorate General of Financing and Risk Management (DMO) website at <https://www.djppr.kemenkeu.go.id>.

2022



**30 million babies**  
Completed Basic Vaccination



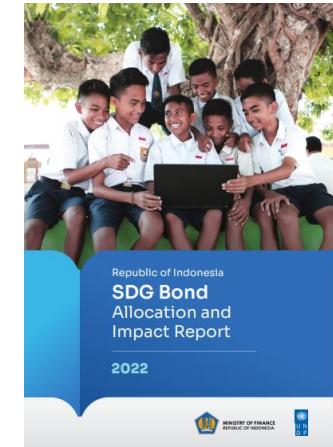
Providing scholarship for **1 Million** Islamic elementary school students



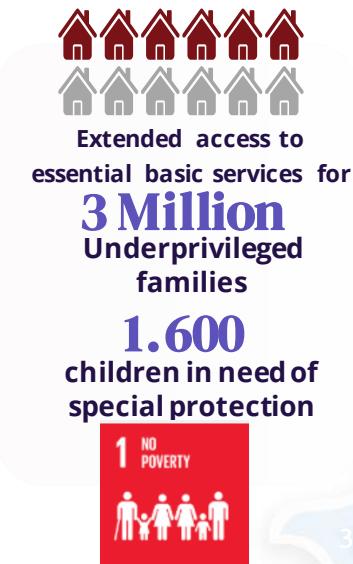
**11,4 million**  
Elementary School Children's Scholarship



**2.146**  
Borderline Frontier, Outermost, and Least Developed Regions in Indonesia



**2021**





# International Awards

## Green Sukuk



Islamic Finance News



Finance Asia



Climate Bond Initiative



IFR Asia



Cambridge IFA



The Asset Triple A



Global Capital, Euromoney



The ROI Green Sukuk has been awarded **17 international awards** from prominent organizations since 2018.



# Challenges and Lessons Learned



Thematic bond/sukuk needs extra effort: framework preparation, framework review from Second Party Opinion, impact report, and report assurance (audit) from external auditor.



Having the right, knowledgeable and reputable partners are crucial to support framework development, issuances, including investor meetings, and impact reporting.



Need strong commitment and coordination from all stakeholders, especially line ministries.



Incentives are needed, especially *pricing benefit (greenium)*, to encourage more parties to issue green/SDG instruments.

# Thank You