



Fiscal Framework for Indonesia's Green Economy in the Context of REDD+

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RAN-GRK: Indonesia's Mitigation Policy

- ❑ Voluntary commitment to reduce emissions by 2020 with:
 - 26% emission reduction using domestic resources
 - Up to 41% reduction with international support (COP15, 2010)
 - Based on BAU (2950 mT CO₂e in 2020) as defined in SNC
(26% = 767 mT CO₂e)

- ❑ RAN-GRK : Presidential Regulation No.61/2011 on National Action Plan to Reduce GHG Emissions as :
 - Implementation reference for mitigation actions by 5 priority sectors/ areas at the national & local levels
 - A reference of related investments for coordinated mitigation actions



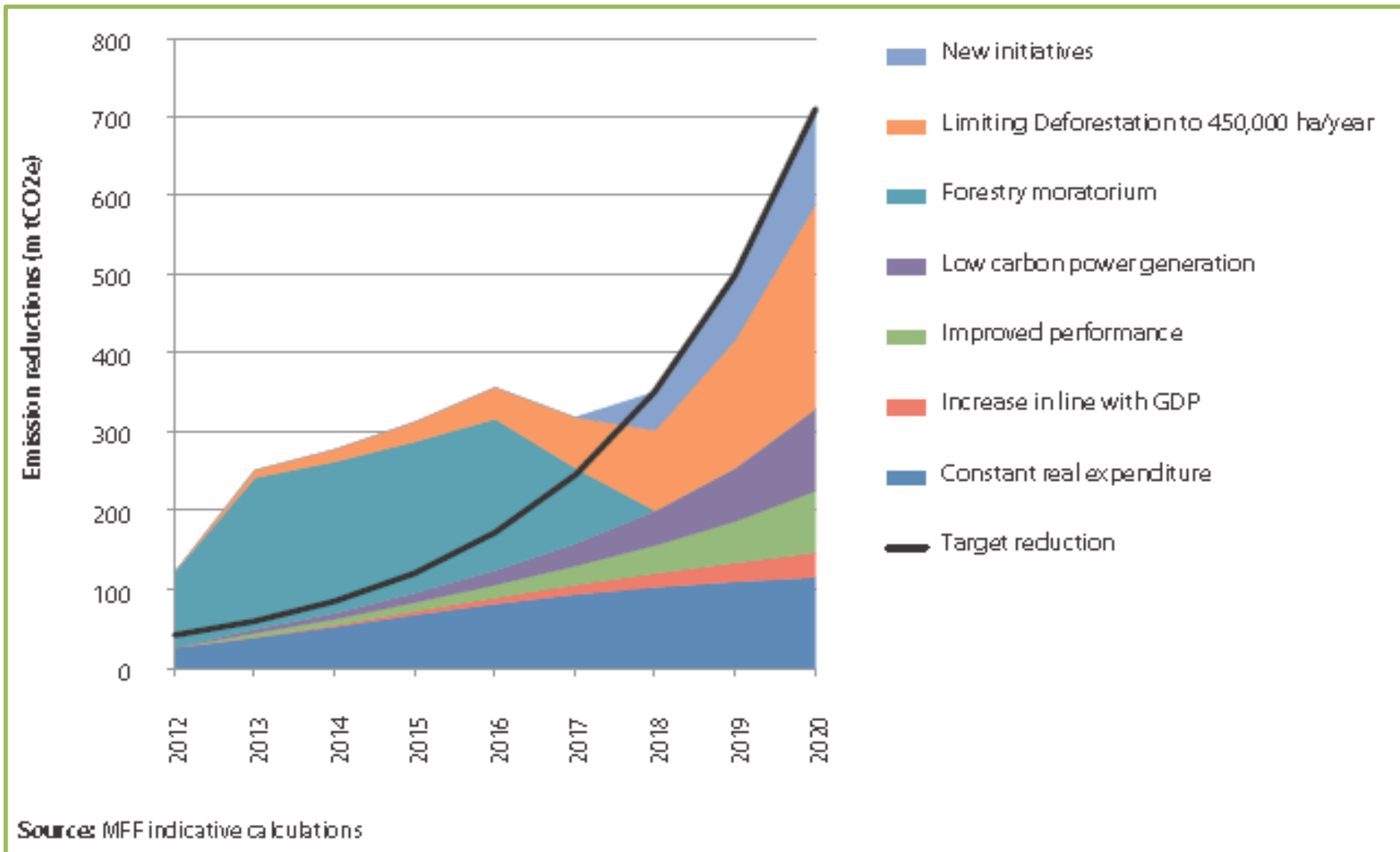
Mitigation Fiscal Framework (MFF)

- ❑ Indonesia uses the “Climate Public Expenditure & Institutional Review (CPEIR)” methodology to define the baseline : policy, institutions, and public expenditures
- ❑ This is combined with:
 - cost-benefit analysis of identified mitigation actions
 - Analysis of climate financing options
 - Defining scenarios
 - Identification of governance arrangements needed
- ❑ Initial focus on 26% emission reduction target by 2020 from domestic resources ; and on Forestry, Energy & Transportation sectors

Main Findings of the first MFF

- ❑ Analyses suggest that if the current level of financing for RAN GRK actions is maintained, it will deliver **only 15%** (116 mtCO₂e) of the RAN-GRK emission target of 767 mtCO₂e
- ❑ If this expenditure is allowed to increase in line with economic growth, a further 4% can be achieved
- ❑ Prioritising the most cost-effective and efficient projects could add (+) another 10% of the required reductions
- ❑ **If deforestation could be limited to 450,000 ha/year, this action will deliver another 34% emission reductions**
- ❑ If mitigation from low carbon power generation is included in the RAN-GRK , it will add another 14%
- ❑ **The remaining gap of 16% emission reductions to be achieved in 2020 : from reforestation actions by the non-state actors, the private sector and CSOs**

Summary of possible sources of RAN-GRK emission reductions (excluding agriculture, industry and wastewater)



Sources: MFF indicative calculations



Ministry of Finance, REDD+ and Indonesia's Green Economy

1. Budget Support

- Budget Allocation for Relevant Line Ministry
- Regional Incentive Mechanism through DAK, Hibah (grant)
- Benefit Sharing Mechanism

2. Revenue Side

- Optimization of PNBK Kehutanan;
- Optimization of Reforestation Fund (Dana Reboisasi);
- Improvement of Forestry Governance;
- Tariff Adjustment

3. Financing Support

- State capital participation (PMN) to relevant SOE
- Government Investment to Private Sectors
- Revolving Fund (PIP and BLU Kehutanan)

The roles of Private Sector

The limitation of Public Finance!

“The amount of investment and financial flows needed to achieve the emission reduction targets (mitigation) and increase adaptive capacity is far greater than the available funds of public funds from domestic and from multilateral and bilateral funding mechanisms”

(UNFCCC 26 November 2008)



Immediate needs for participation and investment from private sectors and market

Silviculture Intensive

Intensive and proper silvicultural methods should be implemented in producing the prospective (productive, effecient, effective, healthy and sustainable) community teak forest in Indonesia

Intensive Silviculture Method

Good genetic material from SSO/CSO/cutting



3 months old



One year old

Five years old



TERIMA KASIH
