Role of Bank Indonesia to support GREEN INVESTMENT

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Central Bank Act No.23/1999

Bank Indonesia
single objective
achieving and maintaining stability of the Rupiah value.

Formulating & implementing monetary policy

Regulating & ensuring a smooth payment system

Regulating & Supervising the national banking system
Policy Background

1. **Government commitment & policy** (G-20, UNFCCC, Green Growth (pro growth, pro job, pro poor, & pro environment)

2. **Global trend**: financial inclusion, green finance to support green growth

3. **Environmental change**: Environment Act, Limited Company Act, ASEAN Economic Community, global incentives (Carbon Market, REDD, ERI), fast grow green industries, increasing public awareness of environmental protection → threats and opportunities for national banking industry

4. **Best practices green banking/finance regulation**: emerging market: China, India, Bangladesh, Brazil tend to mandatory, Developed countries tend to voluntary /self regulated

5. **Need regulation to ensure equal level of playing field → fair competitiveness**

6. **Bank Act 10/1998** obligation to have environmental impact assessment for large scale loan or high risk, BI regulation in asset quality that put environmental as part of consideration for credit application, 2004

1. The Equatorial Principles (73 banks)
   a. China (industrial bank)
   b. Japan (Mizuho Corp. Bank, Sumitomo Mitsui Bank)
   c. Asia (3), Africa (7), middle East (3), Latin America (9).

2. UNEP (203 banks)
   a. China (4)
   b. Japan (19)
   c. Indonesia (1)
   d. South Korea (8)
   e. Philippines (3)
   f. Thailand (2)
   g. Asia (40), Africa (15), Middle East (1), Latin America (18)
Level of Banks’ involvement in Green Project

Infant Industry → Green industry → Economic of scale industry

Bank’s risk management

- Hi risk
- Inherent risk
- + premium interest rate
- Risk Management
- Extra efforts

Manageable risk

- Market price interest rate
- Normal effort

Avoid

Love

Intervention/incentive area
New Policy on Green Banking

What is Green Banking?

ALL PRODUCTS

FUNDING

LENDING

CSR

Compliance

Voluntary

Integrated

Focus on

Aim

Driver

Involvement

Planet

People

Profit

Aim

Approach
Green Banking needs a conducive environment

1. The change of mindset (from profit only → profit-people-planet)
2. Integration of environmental aspects in bank’s risk management
3. Availability Human Resource (quality-quantity) to deal with green investment and environmental risk management
4. implementing Equal level of playing field
5. Equal treatment & consistent in Law enforcement
6. Adequate Regulation & Supervision
7. Sufficient incentives for green investment/finance
8. Step by step on implementation
9. Coordination and cooperation among green banking stakeholders
Stakeholders of Green Banking

- Government
- International best practices/standards
- NCCC/DNPI
- NGOs
- Banks Association
- Banks
- Capital market
- International Financial Institution/donor agency
- R & D
- Environmental Auditor
- Rating agencies
- customer
Thank You

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