

Keynote Address

Minister of Finance of Indonesia

Asia-Pacific High-Level Consultation on Financing for Development

29-30 April 2015

Jakarta, Indonesia

Her Excellency, Shamshad Akhtar, Under-Secretary-General of the United Nations and Executive Secretary of ESCAP

His Excellency, Geir Pedersen, Co-facilitator for the third International Conference on Financing for Development (TBC)

Distinguished Ministers, Ambassadors, ladies and gentlemen,

The government of Indonesia is proud to co-host today's High Level Consultation On Financing For Development with the United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP).

Last year, we had the pleasure to work with UN-ESCAP to hold the Asia-Pacific Outreach Meeting on Sustainable Development Financing, in which many of us including myself participated.

At that meeting, held also in this very room, we extensively discussed the opportunities, challenges, and best practices associated with sustainable development financing on areas of (i) domestic resource mobilization, (ii) infrastructure finance and public private partnership, (iii) capital market development, (iv) climate finance, (v) financial inclusion, and (vi) south-south, triangular and regional cooperation.

We gather again today to further deliberate on our region's perspective on ways forward to realize adequate financing for sustainable development that would serve as our region's partaking within the global post-2015 development agenda negotiation process, particularly for

the Third International Conference on Financing for Development in Addis Ababa in July and the UN summit in September later this year.

Distinguished guests, ladies and gentlemen,

I believe that this high level consultation is very timely and relevant not only because it coincides with the international post-2015 development agenda, but also because of the fact that the issue of sustainable development financing has indeed become one of the most crucial development challenges faced by countries in the region.

For Indonesia, topics to be discussed in this forum intersect closely with the main priority of our government.

Indonesia envisions a five pillars of sustainable development: (i) sustainable use of natural resources including through the development of downstream industries, (ii) development of human resources through education and productivity enhancement, (iii) inclusive growth through poverty eradication, social safety net, gender equality, and financial inclusion, (iv) investment to support connectivity and technological development, including through public private partnership, and (v) sustainable growth supported by macroeconomic stability through prudent fiscal and monetary policies.

As a building block to support this development objectives, the government has made the improvement of energy, housing, water and sanitation, regional connectivity, maritime and marine infrastructures a very high priority.

However, we fully acknowledge that financing adequacy poses a significant challenge to Indonesian Government's ability to realize these development objectives.

In that regard, the Government has taken various measures to optimize domestic resource mobilization and improving expenditure quality.

In the bid to optimize the stream of domestic revenue, we have introduced an extensive structural reform to our taxation administrative system. Specifically, we seek to broaden our tax base by improving awareness and compliance as well as developing targeted and simplified tax regime for SMEs.

At the same time, we have introduced a budget restructuring to direct government spending towards sectors with higher productivity. In particular, since last year, the Government has made a substantial reduction of the fossil fuel subsidy that has resulted in a significant increase

in our fiscal space which ultimately improves our productive spending on infrastructure and poverty alleviation programs.

Not only improving the financial quality of our budget, we are also aiming to ensure that our budget reflects our commitment to achieve sustainable development and to improve Indonesia's ability to respond to the changing climate. We have set up the Center for Climate Finance to mainstream climate financing agenda within our internal budgetary policy cycles. Furthermore, to better improve our ability to utilize public and international climate finance we have recently passed a ministerial regulation that mandates all line ministries to tag climate related budget allocations in the country. Next, we are working to develop a framework of evaluation mechanism that would enable us to measure the effectiveness and efficiency of climate finance in the country.

Ladies and gentlemen,

Despite our effort, deficiencies of our government budget's capacity to fulfill our development financing need remain significant.

Hence, we recognize that the participation of private sectors will be a critical component to meet this end. This has prompted us to develop policy packages to improve partnership between public and private sectors.

Currently, various fiscal incentives are put in place to support private investment in strategic economic activities, particularly investments with environmental protection benefit.

Furthermore, we actively build enabling environment, including institutional and legal framework to facilitate the development of public private partnership mechanism. The Ministry of Finance has established a specially designated PPP Unit to coordinate and improve PPP projects preparation and selection. Furthermore, we have also set up multidimensional facilities to mitigate challenges associated with PPP projects: (i) Project Development Facility to enhance its bankability, (ii) Viability Gap Fund to increase its financial viability, (iii) Indonesia Infrastructure Guarantee Fund (IIGF) to provide risk guarantee, and (iv) Infrastructure Fund to support its long term financing.

We are also working closely with international development partners to develop innovative financial mechanisms such as a risk sharing contingency fund that would enable us to tap into conventional banking or private sectors' financing.

Distinguished Ministers, Ambassadors, ladies and gentlemen,

I am confident that the above issues and challenges are not unique to Indonesia but should resonate strongly with the issues faced by many governments in the Region.

In that account, this consultation meeting can act as a valuable mean not only to facilitate exchange of experiences and best practices among us, but also to build an enhanced development partnership within the Asia Pasific region.

To close my address, I would like to extend my appreciation to the UN-ESCAP for the initiative to advance discussions among Asia Pasific economies on these very important issues.

I sincerely wish that this high level consultation would result in tangible and actionable recommendations to better improve the regional financial capacity to support the emerging sustainable development goals, as well as the development of additional and innovative financing sources and instruments to meet these objectives.

In addition, I look forward to concrete outcomes of this forum that would improve our understanding of policy and institutional setting necessary to better incorporate the private sectors, financial institutions and capital market in the sustainable development agenda.

Thank you.