

## **JOINT PRESS RELEASE**

### **MEMORANDUM OF UNDERSTANDING BETWEEN ENVIRONMENT MINISTRY (KLH) AND FINANCIAL SERVICES AUTHORITY (OJK)**

#### **“Improving the Roles of Financial Services Institutions in Environmental Protection and Management by Developing Sustainable Financial Services”**

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**Jakarta, May 26<sup>th</sup>, 2014:** Environment Ministry (KLH) and Financial Services Authority (OJK) signed a memorandum of understanding (MoU) on improving the roles of financial services institutions in environmental protection and management by developing sustainable financial services. The MoU signing was conducted by Environment Minister Prof. Dr. Balthasar Kambuaya, MBA and Chairman of OJK Board of Commissioners Muliaman D. Hadad.

This cooperation is a continuance of programs that KLH and Bank Indonesia first began in 2010 within a framework of implementing MoU on green banking. Green banking implementation is one of efforts to change national development paradigm, from greedy economy to green economy. Greedy economy is a term in which the economy is focused limitedly on economic growth indicated by growth of gross domestic product (GDP), which is obtained by exploitation of natural resources and economic activities that are built upon debts. Whereas green economy is a changed point of view towards economic development by concerning on the balance of 3P (people, profit, planet), protection and management of natural resources, and participation of all parties.

The 3P concept is also the basis of sustainable development. This kind of development is not only maximizing economic profit, but also actively promotes environmental conservation and social concern. This policy is expected to create harmony between national development policy and appropriation of budget for development.

With the establishment of OJK, green banking activity that used to be under Bank Indonesia's authority is now one of programs mandated to OJK. In order to resume activities associated with environmental protection and management in financial services sector, the signing of MoU between KLH and OJK was therefore conducted, now with broader coverage from initially limited to banking industry related to all financial services institutions.

In his speech, the Environment Minister said, “Being a new institution to regulate bank and non-bank financial services, OJK thereby has a strategic position to regulate economy through policy on credit channeling/financing that is environmentally-friendly and stimulates other non-bank financial services entities with environmental viewpoint to emerge, such as stock, insurance and other financial services.” This cooperation is in line with KLH’s commitment to promote sustainable development using environmental viewpoint, as mandated in Law No. 32 of 2009 on environmental protection and management (UU PPLH). “The environment ministry will support all efforts so as to be able to implement all environmental policy in financial services sector,” the Environment Minister explained.

Chairman of OJK Board of Commissioners emphasized the importance of improving the roles of financial services institutions in environmental protection and management by developing sustainable financial services. Therefore, OJK and KLH implement several joint efforts embodied in memorandum of understanding, which contains:

1. Harmonization of policy in financial services sector with policy in environmental protection and management;
2. Harmonization of policy in environmental protection and management with policy in financial services sector;
3. Appropriation and use of environmental data and information for developing sustainable financial services;
4. Research/survey in the framework of drafting policy concept for sustainable finance; and
5. Improvement of capacity and competency of human resources in financial services sector in the field of environmental protection and management.

OJK’s strategic role in sustainable finance is also expected to become a solid proof of supports from financial services institutions in promoting sustainable development, implemented in the forms of appropriation of funding resources for environmentally-friendly projects such as new and renewable energy, organic farming, green industry and eco tourism. Improvement of funding portfolio is believed to be able to help resolving national economic problems related with self-sufficiency in the fields of energy, agriculture, and industry. Sustainable finance policy is expected not only to bring positive impacts like a change of paradigm in financial services institutions, but also to bring such impacts to consumers of financial services institutions. In order to support this policy, a national seminar on sustainable finance was also held, presenting both national and international speakers, and was attended by practitioners of financial services and other stakeholders.

For more information:

- **Imam Hendargo Abu Ismoyo**, Deputy for Environmental Management of the Environment Ministry, Phone/Fax.: 8580111, Email: [humaslh@gmail.com](mailto:humaslh@gmail.com) / [www.menlh.go.id](http://www.menlh.go.id)
- **Lucky F.A. Hadibrata**, Deputy Commissioner IB for Strategic Management of Financial Services Authority, Phone: 021-3858001, Email: [lucky.fathul@ojk.go.id](mailto:lucky.fathul@ojk.go.id) / [www.ojk.go.id](http://www.ojk.go.id)