

Nature-Related Risks and Stress Testing Workshop for Indonesian Authorities



Towards a sustainable financial system in Indonesia

In order to contribute to global financial and monetary stability, it is increasingly acknowledged that governments, central banks and financial supervisory and regulatory authorities working on climate risk issues need to widen their focus and encompass broader environmental and nature related risks such as biodiversity loss within their risk mitigation and adaptation practices.

Indonesia is particularly vulnerable to nature related risks such as flooding, and it is a country where biodiversity management is essential to help increase the nation's resilience towards climate change.

Building on these considerations, **on 20-22 June 2023, AMRO, together with staff from WWF Indonesia supported by WWF Greening Financial Regulation Initiative and WWF Singapore, organised a 3-day workshop in Jakarta, aimed at enhancing awareness of the importance of nature-related risks and their impact on financial stability.** The workshop also discussed the latest policy actions being taken by central banks and supervisors to manage these risks and how to integrate them into scenario analysis and stress testing.

The Workshop was attended by staff from Bank Indonesia, Otoritas Jasa Keuangan (OJK – the Financial Services Authority of Indonesia) and the Indonesian Ministry of Finance. It included presentations and insights from AMRO, LSE Grantham Research Institute on Climate Change and the Environment, The International Network for Sustainable Financial Policy

Insights, Research, and Exchange (INSPIRE), S&P Global, RMI, 1in1000, Robeco, OJK and WWF.

These were discussed together with case studies, examples of good practice, practical illustrations and research analyses as well as data, metrics and risk analysis tools.

The main conclusions that came out of this workshop were:

- (a) The need for a centralised, credible and open-source environmental database that compiles nature and climate related data to inform decision making. Such a database could be developed from corporate disclosures as well as through a data integration exercise from various data owners.
- (b) Climate scenario analysis and other assessment tools designed for central banks, regulators and financial institutions need to be better adapted to gauge the significance of climate and nature risks on the financial health of both individual institutions and the overall financial system, while also better reflecting local context and priorities of the country and its regions.
- (c) The need for better and wider availability of hands-on environmental analytical tools and methodologies that central banks, financial supervisors and financial institutions can use and apply in a harmonised manner.
- (d) Better co-ordination amongst financial and non-financial stakeholders to fully integrate actions taken by central banks, financial supervisors, government ministries and agencies as well as private sector players.

The Indonesian authorities were very pleased with the workshop outcomes and have indicated that they would like to consider running it as an annual event and to further broaden the participant base across other government ministries and sectors.

AMRO is also able to organise similar workshops for other member countries who are interested in developing staff capability on this topic.

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