

The Governance Paradox of Climate Finance in Indonesia: Between Fiscal Prudence and Climate Ambition

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ABSTRACT:

Climate finance is often discussed as a technical issue of mobilizing, allocating, and managing financial resources for mitigation, adaptation, and climate resilience. This article reframes climate finance as a governance problem involving state capacity, legitimacy, accountability, and institutional coordination. Focusing on Indonesia, the study examines how climate finance is governed amid competing fiscal, institutional, and political pressures. Using a qualitative case study and interpretive policy analysis, the research draws on in-depth interviews, policy documents, regulatory materials, institutional reports, and limited observation of relevant policy forums. The findings show that Indonesia's climate finance governance operates through a layered architecture involving the Ministry of Finance, Bappenas, BPDHL, parliament, technical ministries, civil society organizations, and development partners. However, this architecture remains shaped by three interrelated dynamics. First, climate finance reflects a policy paradox between climate ambition and fiscal prudence. Second, green fiscal instruments such as Climate Budget Tagging, green sukuk, carbon economic value mechanisms, and BPDHL function not only as financing mechanisms, but also as symbols of green legitimacy. Third, institutional fragmentation persists because actors interpret climate finance through different policy logics, including fiscal discipline, development planning, fund management, political oversight, and climate justice. The article contributes to social science debates on climate governance by showing that climate finance is not merely a matter of funding availability, but a paradoxical governance field shaped by competing values, symbolic politics, fragmented authority, and contested accountability.

Keywords: accountability; climate finance governance; fiscal symbolism; institutional fragmentation; policy paradox

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1. Introduction

Climate finance has become an increasingly important issue in global development governance. It is commonly discussed in relation to the mobilization, allocation, and use of financial resources for mitigation, adaptation, and climate resilience. Yet climate finance is not only a matter of raising funds or designing financial instruments. It is also a question of how public institutions define priorities, coordinate authority, manage competing interests, and account for the use of climate-related resources. In this sense, climate finance is deeply connected to governance, public administration, state capacity, legitimacy, and accountability.

For developing countries, this issue is particularly complex. Climate commitments are often shaped by global expectations, while implementation depends on domestic fiscal capacity, institutional readiness, and administrative coordination. Halimanjaya (2015) shows that climate mitigation finance in developing countries is influenced not only by environmental needs, but also by political and institutional conditions. Similarly, Bhandary, Gallagher, and Zhang (2021) argue that climate finance policy in practice is shaped by institutional arrangements, implementation capacity, and policy design. These studies suggest that climate finance cannot be treated as a neutral technical flow of money. It is embedded in administrative structures, political priorities, and governance capacities.

The complexity becomes more visible when climate finance is connected to justice and sustainable development. Khan, Robinson, Weikmans, Ciplet, and Roberts (2020) argue that adaptation finance should be understood through

a climate justice lens because the distribution of resources affects vulnerable communities and countries differently. Iacobuță, Brandi, Dzebo, and Duron (2022) further emphasize the need to align climate finance with sustainable development goals. These perspectives show that climate finance is not only about achieving emission reduction targets or financing projects, but also about how states connect climate action with development priorities, social equity, and public accountability.

At the same time, climate finance governance is marked by fragmentation and complexity. Pickering, Betzold, and Skovgaard (2017) show that the international climate finance system is fragmented across institutions, instruments, and funding channels. This fragmentation creates challenges for national governments that must translate global climate commitments into coherent domestic policies. Climate governance is also increasingly multi-level and polycentric, involving multiple centers of authority across international organizations, national governments, local actors, private institutions, and civil society (Di Gregorio et al., 2019; Jordan et al., 2015). As a result, climate finance governance requires not only financial capacity, but also policy integration and coordination across sectors and levels of government.

The literature on policy integration is useful for understanding this challenge. Candel and Biesbroek (2016) argue that policy integration involves the alignment of goals, instruments, and institutions across policy domains. Tosun and Lang (2017) similarly emphasize that integration becomes crucial when policy problems cut across established administrative boundaries. Climate finance clearly belongs to this category because it

intersects with fiscal policy, environmental governance, development planning, energy transition, social protection, and international cooperation. However, policy integration is difficult when public institutions operate with different mandates, budgetary routines, and accountability systems.

Indonesia provides an important case for examining these issues. As a developing state with significant climate vulnerability and ambitious climate commitments, Indonesia has developed various climate finance instruments, including Climate Budget Tagging, green sukuk, carbon economic value mechanisms, environmental fund management, and low-carbon development planning. These instruments indicate that climate finance has entered the national development and fiscal policy agenda. However, the existence of such instruments does not automatically guarantee coherent implementation. Climate finance governance may still be shaped by fiscal caution, institutional fragmentation, symbolic policy narratives, and uneven accountability mechanisms.

This article examines climate finance governance in Indonesia through the lens of policy paradox, fiscal symbolism, and institutional fragmentation. It asks how Indonesia governs climate finance amid competing fiscal, institutional, and political pressures. Drawing on qualitative evidence from policy documents, institutional mapping, and actor interpretations, this article argues that climate finance in Indonesia is not merely a technical financing mechanism, but a paradoxical governance field. It is a field in which climate ambition, fiscal prudence, administrative capacity, legitimacy, and accountability continuously interact. By doing so, the article contributes to social science debates on climate governance by showing how climate finance depends not only on the availability of funds, but also on the state's capacity to organize authority, integrate policy, and translate climate commitments into accountable public action.

2. Methodology

2.1 Climate Finance Governance as a Social Science Problem

Climate finance is often presented as a technical response to climate change, mainly concerned with mobilizing, allocating, and managing financial resources for mitigation, adaptation, and low-carbon transition. However, such a narrow view risks overlooking the institutional and socio-political dimensions of climate finance. Climate finance is not only about the availability of money, but also about how public institutions define priorities, distribute authority, manage accountability, and justify policy choices. Bhandary et al. (2021) argue that climate finance policy in practice is shaped by institutional arrangements, implementation capacity, and policy design, rather than by financial instruments alone. More recently, Bhandary (2024) shows that institutional design plays an important role in mobilizing climate finance, including in developing country contexts where administrative capacity and coordination remain uneven.

This perspective suggests that climate finance is not technically neutral. Decisions about who receives finance, which sectors are prioritized, and what kinds of projects are considered “climate-relevant” reflect political and institutional choices. Halimanjaya (2015) demonstrates that the distribution of climate mitigation finance across developing countries is influenced by political and institutional determinants. Similarly, Betzold and Weiler (2017) and Weiler et al. (2018) show that adaptation finance is not always directed simply to the most vulnerable countries, because donor interests, governance quality, and institutional considerations also shape allocation patterns. These findings indicate that climate finance is embedded in power relations, administrative routines, and governance structures.

Climate finance is also closely connected to development and justice. Khan et al. (2020) emphasize that adaptation finance should be examined through a climate justice lens because financial flows can either reduce or reproduce inequality, especially for vulnerable countries and

communities. Iacobuță et al. (2022) further argue that climate and sustainable development finance need to be aligned through an SDG perspective, showing that climate finance cannot be separated from broader development priorities. In this sense, climate finance involves questions of fairness, public accountability, and social responsibility, not merely questions of fiscal efficiency.

The relationship between public finance, governance, and climate transition also shows the strategic role of the state. Monasterolo (2020) highlights the increasing relevance of climate change for the financial system, while Mazzucato and Semieniuk (2018) argue that financing renewable energy depends on who finances what and why this matters. Geddes et al. (2018) similarly show that state investment banks can play multiple roles in low-carbon energy finance. Taken together, these studies indicate that climate finance should be understood as a social science problem involving institutions, legitimacy, state capacity, accountability, and contested development priorities.

2.2 Policy Paradox and Competing Public Values

Policy paradox provides an important theoretical lens for understanding why public policies that appear rational and progressive often contain unresolved tensions in practice. Stone (2002) argues that public policy is not simply a technical process of choosing the most efficient solution. Rather, policy is a political arena in which actors define problems, construct meanings, mobilize symbols, and negotiate competing public values. From this perspective, paradox is not an accidental defect in policymaking. It is a normal feature of public decision-making, especially when governments must pursue goals that are equally legitimate but difficult to reconcile.

Climate finance governance reflects this paradoxical character. It is expected to support long-term climate ambition, but it must operate within fiscal systems that prioritize prudence, budget discipline, and risk control. It is also expected to advance sustainability, while many development policies continue to depend on

economic growth, infrastructure expansion, and sectoral priorities. At the international level, climate finance is linked to global commitments, climate justice, and collective responsibility. At the domestic level, however, implementation is shaped by fiscal feasibility, administrative capacity, political bargaining, and institutional authority. These tensions show that climate finance is not merely a funding mechanism, but a field of competing public values.

This condition is closely related to the literature on wicked problems. Head and Alford (2015) explain that wicked policy problems are marked by uncertainty, value conflict, and fragmented authority. Climate finance fits this category because it cuts across environmental protection, public finance, development planning, energy transition, and social justice. Governing such a field requires policy capacity, not only in the technical sense, but also in the ability to coordinate institutions, interpret policy problems, and manage competing expectations. Howlett and Ramesh (2016) and Wu et al. (2015) emphasize that policy capacity involves analytical, operational, and political capabilities, all of which are needed when public problems cannot be solved through sectoral routines alone.

Policy paradox is also connected to the way policy meanings are constructed. Schmidt (2008) and van Hulst and Yanow (2016) show that ideas, discourse, and framing shape how institutions understand policy problems. Boswell et al. (2011) further argue that policy narratives organize complex realities into persuasive accounts of urgency, responsibility, and solutions. In climate finance, narratives of green transition, fiscal responsibility, and climate justice may coexist, but they do not always lead to the same policy choices. Studies on climate transition also show that mitigation and energy policies can generate justice and equity concerns when costs and benefits are unevenly distributed (Carley & Konisky, 2020; Markkanen & Anger-Kraavi, 2019; Patterson et al., 2018).

This article therefore uses policy paradox as its main analytical lens. It examines how climate finance governance in Indonesia is shaped by

tensions between fiscal prudence and climate ambition, growth and sustainability, global commitment and domestic feasibility, and administrative control and climate justice.

2.3 Fiscal Symbolism, Legitimacy, and Accountability

Fiscal instruments do not only perform administrative and financial functions. In public policy, they can also operate symbolically by signaling commitment, authority, and responsibility. Stone (2002) argues that policy instruments, numbers, and categories are never entirely neutral because they help construct public meanings and political legitimacy. In climate finance governance, this symbolic function is especially important. Governments are expected to demonstrate that climate change has been incorporated into fiscal policy, even when implementation remains constrained by budget limits, institutional fragmentation, and competing development priorities.

Fiscal symbolism can be seen in instruments such as green budgeting, Climate Budget Tagging, green sukuk, carbon pricing, and dedicated environmental fund institutions such as BPD LH. These instruments are technically important because they help identify climate-related expenditure, mobilize alternative funding, price environmental externalities, and manage climate-related funds. However, they also communicate a broader message: that the state is modernizing public finance, responding to global climate norms, and taking responsibility for low-carbon development. In this sense, green fiscal instruments are not merely tools of financial administration. They are also devices through which the state builds green legitimacy in domestic and international arenas.

The symbolic value of green fiscal instruments becomes problematic when visibility is not followed by accountability. Heald (2012) reminds us that fiscal transparency is often difficult to achieve because the availability of information does not automatically produce meaningful public oversight. Wehner and de Renzio (2013) also show that fiscal transparency is shaped by political incentives, while Alt and Lassen (2006)

connect transparency with fiscal credibility. These arguments are relevant to climate finance because instruments such as Climate Budget Tagging may make climate expenditure visible, but visibility alone does not ensure that funds are allocated strategically or produce measurable climate outcomes.

Public accountability therefore becomes central to climate finance governance. Piotrowski and Van Ryzin (2007) suggest that transparency matters for public trust when citizens can understand and use the information provided. Cicek and Dikmen (2021) further emphasize the importance of external audit in strengthening fiscal transparency. In the context of climate finance, accountability requires more than reporting how much expenditure has been tagged as climate-related. It requires monitoring whether green fiscal instruments contribute to mitigation, adaptation, resilience, and climate justice.

The broader literature on green and sustainable finance supports this view. Flammer (2021) shows that green bonds can signal environmental commitment, while Tolliver et al. (2020) link green bond policies with climate targets. Dikau and Volz (2021) and Polzin et al. (2017) further indicate that sustainable finance depends on institutional credibility and supportive financial systems. Thus, fiscal symbolism should not be dismissed as mere rhetoric. It should be understood as a governance mechanism that can open space for climate action, but only becomes transformative when connected to transparency, monitoring, and public accountability.

2.4 Institutional Fragmentation and State Capacity

Climate finance governance is often shaped by institutional fragmentation because it involves many actors, mandates, resources, and policy meanings. Fragmentation occurs when authority is distributed across several institutions without sufficient integration in planning, budgeting, implementation, and accountability. In the global environmental governance literature, fragmentation is understood as a condition in which multiple institutions address related problems but operate through different rules,

priorities, and coordination mechanisms (Zelli & van Asselt, 2013). Pickering et al. (2017) show that this problem is particularly visible in international climate finance, where funding channels, donor priorities, reporting requirements, and institutional arrangements are often complex and dispersed.

This fragmentation is also connected to the multi-level and polycentric character of climate governance. Jordan et al. (2015) argue that climate governance increasingly involves multiple centers of authority rather than a single hierarchical system. While polycentric governance may create opportunities for experimentation and participation, it can also produce overlapping mandates and blurred responsibility. Morrison et al. (2019) add that polycentric governance must be understood through power relations because not all actors have equal authority to define problems, allocate resources, or shape policy outcomes. Di Gregorio et al. (2019) similarly show that climate policy networks are structured by multi-level governance and unequal power relations among actors.

For this reason, policy integration and coordination become central to climate finance governance. Candel and Biesbroek (2016) explain that policy integration requires the alignment of goals, instruments, and institutions across policy domains. Tosun and Lang (2017) also argue that integration is necessary when public problems cross sectoral boundaries. Climate finance clearly requires this kind of integration because it connects fiscal policy, development planning, environmental protection, energy transition, donor coordination, and public accountability. However, whole-of-government coordination is difficult when bureaucratic systems remain organized around sectoral mandates and separate accountability routines. Christensen and Laegreid (2007) and Peters (2018) emphasize that coordination is one of the central challenges of contemporary public administration.

State capacity in climate finance governance should therefore not be understood only as technical or fiscal capacity. It also includes the

ability to coordinate institutions, manage intergovernmental relations, and build shared interpretations of policy goals. Bukharskiy and Lavrov (2021) show that intergovernmental relations create both opportunities and constraints for public administration. Gladun et al. (2021) and Shadrina et al. (2021) further suggest that green governance depends on the ability of public institutions to connect environmental priorities with development strategies and administrative practices. In this article, state capacity is therefore treated as both administrative and interpretive: the capacity to organize authority, align instruments, and create a shared understanding of what climate finance should achieve.

3. Methodology

3.1 Research Design

This study employs a qualitative research design to examine climate finance governance in Indonesia as an institutional and interpretive policy problem. A qualitative approach is appropriate because the study seeks to understand how climate finance is constructed, governed, and interpreted by public institutions and policy actors, rather than merely measuring the volume or efficiency of financial flows. As Creswell and Poth (2018) explain, qualitative inquiry is useful for exploring complex social phenomena within their institutional, political, and contextual settings. In this study, climate finance is treated not only as a fiscal mechanism, but also as a governance field shaped by policy meanings, institutional arrangements, administrative capacity, and accountability relations.

The study adopts an interpretive policy analysis approach. Interpretive policy analysis assumes that public policy is not only formed through formal rules and technical instruments, but also through meanings, narratives, symbols, and frames used by actors to define problems and justify action. Fischer (2003) and Yanow (2000) emphasize that policy analysis should examine

how actors make sense of policy issues, how institutional practices create meaning, and how policy categories shape public understanding. This perspective is particularly relevant for climate finance because instruments such as Climate Budget Tagging, green sukuk, carbon pricing, and environmental fund management are not only administrative tools. They also carry symbolic and political meanings related to state commitment, fiscal responsibility, climate justice, and green legitimacy.

Indonesia is used as a single case study. A case study design is suitable when a study examines a contemporary phenomenon within its real-life institutional context, especially when the boundaries between policy, institutions, and implementation are not clearly separated (Yin, 2018). Indonesia provides a relevant case because it combines ambitious climate commitments, significant climate finance needs, and a complex governance architecture involving fiscal, planning, environmental, parliamentary, and civil society actors. The research design is also informed by framing analysis in policy studies. van Hulst and Yanow (2016) argue that policy frames are dynamic processes through which actors select, organize, and interpret policy realities. This approach helps explain how climate finance is framed simultaneously as a development necessity, fiscal responsibility, climate commitment, and public accountability issue.

3.2 Data Sources and Data Collection

This study draws on three main sources of data: in-depth interviews, documentary materials, and limited observation. The use of multiple sources of evidence is important because climate finance governance is not located in a single institution or policy document, but is distributed across fiscal policy, development planning, environmental regulation, parliamentary oversight, and civil society advocacy. Following Yin (2018), multiple sources of evidence allow a case study to capture a policy phenomenon from different institutional positions and to strengthen the credibility of interpretation through triangulation.

The primary data were obtained through in-depth interviews with key informants who were directly connected to climate finance governance in Indonesia. The interviews were conducted in a semi-structured format using open-ended questions. This format allowed informants to explain policy narratives, institutional interpretations, value conflicts, and the symbolic dimensions of climate fiscal policy. The interviews focused on how actors understood climate finance, how they interpreted institutional responsibilities, and how they perceived coordination, accountability, and implementation challenges.

The documentary data consisted of laws, presidential regulations, ministerial regulations, fiscal policy documents, climate budget reports, BPDH annual reports, NGO policy briefs, and reports from international development partners. The documents analyzed included Law No. 16 of 2016 on the ratification of the Paris Agreement, Law No. 7 of 2021 on Harmonization of Tax Regulations, Presidential Regulation No. 98 of 2021 on Carbon Economic Value, Presidential Decree No. 53 of 2020 on the establishment of BPDH, and Ministry of Finance Regulation No. 190/PMK.02/2022 on Climate Budget Tagging. The study also examined the RPJMN 2020–2024, the Long-Term Strategy for Low Carbon and Climate Resilience 2050, Indonesia's NDC documents, annual government work plans, and state budget financial notes for 2020–2024.

Additional materials included state budget documents related to climate expenditure and energy subsidies, Ministry of Finance reports on Climate Budget Tagging, documents related to carbon economic value mechanisms or carbon tax trials, BPDH annual and program reports, and reports from Climate Policy Initiative, PWYP Indonesia, Cerah, the World Bank, the OECD, and the Green Climate Fund. As Yanow (2000) notes, policy documents can be read as policy artifacts because they contain categories, assumptions, and institutional meanings that shape public action. Fischer (2003) further emphasizes that policy analysis should pay attention to the interpretive dimensions of documents and narratives, because public policy

is shaped not only by formal decisions but also by the meanings attached to them.

Limited observation was also conducted selectively in relevant public forums, technical meetings, policy discussions, or stakeholder events related to climate finance governance. These included, where accessible, parliamentary hearings, public consultation forums held by ministries or agencies, donor coordination meetings, and collaborative workshops involving civil society organizations and other stakeholders. Observation was used to capture the dynamics of interaction, power relations, and the way climate finance narratives were constructed and circulated in public or semi-public policy spaces.

3.3 Informants and Sampling

Informants were selected using purposive sampling. This technique was appropriate because the study required key actors who had direct involvement in the formulation, implementation, supervision, or public assessment of climate finance policy in Indonesia. Qualitative sampling is not intended to achieve statistical representation, but to identify participants who can provide rich and relevant information about the phenomenon under study (Creswell & Poth, 2018). Patton (2015) on similarly emphasizes that purposeful sampling allows researchers to select information-rich cases that can illuminate the complexity of a policy issue.

The key informants included officials and technical staff from the Ministry of Finance, particularly the Directorate General of Financial Sector Stability and Development and units related to climate budget policy, financial sector development, and environmental fund management. Informants from the Ministry of National Development Planning/Bappenas were selected because of the agency's role in national development planning, low-carbon development, and energy transition policy. BPDLH was included because it has a specific mandate to manage environmental and climate-related funds. Parliamentary actors from Commission XI or Commission VII of the House of Representatives were included to capture perspectives on fiscal

oversight, political accountability, energy policy, and climate-related budget debates.

The study also involved representatives from civil society organizations and policy research institutions, including PWYP Indonesia, Cerah, and Climate Policy Initiative. These actors were included because they provide external perspectives on climate finance governance, especially regarding transparency, accountability, climate justice, and public participation. Their inclusion helped the study avoid relying solely on government narratives and allowed comparison between formal administrative perspectives and broader public accountability concerns.

The selection of informants was guided by three criteria. First, informants had to be directly connected to climate finance policy through planning, budgeting, implementation, oversight, advocacy, or analysis. Second, they needed to represent different institutional logics, including fiscal management, development planning, fund administration, political oversight, and public accountability. Third, they had to be able to explain not only formal procedures, but also the practical and interpretive dimensions of climate finance governance. This sampling strategy allowed the study to capture climate finance as a multi-actor governance field shaped by fiscal authority, planning logic, fund management, parliamentary oversight, and civil society scrutiny.

3.4 Data Analysis

The data were analyzed using content analysis, thematic analysis, and interpretive policy analysis. Content analysis was used to identify recurring themes, categories, and patterns in interview transcripts, policy documents, regulatory materials, budget reports, and institutional publications. The analysis focused on how climate finance was defined, classified, justified, and linked to fiscal policy, development planning, environmental governance, and public accountability.

Thematic analysis was used to organize the data into broader analytical categories. Following Braun and Clarke (2006), the analysis began with repeated reading of interview materials and policy

documents to identify recurring patterns related to institutional roles, fiscal instruments, coordination mechanisms, budgetary narratives, regulatory frameworks, and accountability practices. These initial codes were then grouped into broader themes, including policy paradox, fiscal symbolism, institutional fragmentation, and contested policy meanings.

Interpretive policy analysis was used to examine the meanings, narratives, and symbols embedded in climate finance governance. Policy documents were not treated merely as administrative records, but as policy artifacts that reveal how the state constructs climate responsibility, fiscal credibility, green legitimacy, and accountability. This approach follows Fischer (2003) and Yanow (2000), who argue that policy analysis should examine the meanings and interpretive practices through which policy problems are constructed. The analysis was also informed by Hajer's (1995) notion of discourse coalitions, particularly in examining how actors use shared vocabularies such as green transition, fiscal responsibility, climate commitment, and sustainable development while still holding different institutional interests. Schmidt's (2008) perspective on discursive institutionalism further informed the analysis by highlighting how ideas and discourse shape institutional action and policy coordination.

Policy paradox served as the main analytical lens. Drawing on Stone (2002), the study examined how climate finance governance involves competing values that cannot be resolved only through technical budgeting procedures. The analysis focused on tensions between climate ambition and fiscal prudence, sustainability and economic growth, global commitment and domestic feasibility, administrative control and climate justice, and fiscal visibility and substantive accountability. This approach enabled the study to explain why Indonesia's climate finance instruments may simultaneously represent progress, legitimacy, constraint, and fragmentation.

3.5 Trustworthiness and Ethical Considerations

Trustworthiness was strengthened through triangulation, member checking, audit trail, and thick description. Following Lincoln and Guba (1985), the study addressed credibility, dependability, confirmability, and transferability as key criteria for qualitative rigor. Credibility was supported by comparing evidence from interviews, policy documents, state budget materials, institutional reports, parliamentary records, civil society reports, and relevant public documents. This triangulation helped reduce dependence on a single source of information and allowed the study to examine whether similar patterns appeared across different institutional positions. As Patton (2015) notes, triangulation is useful not because it produces one fixed truth, but because it helps researchers understand a phenomenon from multiple perspectives.

Member checking was conducted where possible by clarifying selected interpretations with informants or by comparing interview accounts with available documents and institutional records. An audit trail was maintained through organized field notes, coding records, analytical memos, and documentation of how themes were developed. This process helped ensure that the movement from raw data to analytical categories remained transparent and traceable. Thick description was also used to present the Indonesian case in sufficient institutional and policy detail, so that readers can assess the relevance of the findings for other climate finance governance contexts.

Ethical considerations were observed throughout the research process. Informants were informed about the purpose of the study, the voluntary nature of their participation, and their right to decline or withdraw from the interview process. Consent was obtained before data collection. To protect confidentiality, individual names and identifiable personal information were not disclosed in the analysis. Institutional affiliations were described only when necessary to explain the actor's role in climate finance governance. In line with Creswell and Poth (2018), the study

treated ethical practice not as a procedural formality, but as part of maintaining trust, respect, and responsibility in qualitative inquiry.

4. Findings

4.1 The Architecture of Climate Finance Governance in Indonesia

The findings indicate that climate finance governance in Indonesia is not organized through a single institutional command structure. Instead, it operates through a layered and dispersed governance architecture involving fiscal institutions, national planning agencies, environmental fund management bodies, parliament, technical ministries, civil society organizations, and development partners. Evidence from policy documents and interviews shows that climate finance is formally recognized in Indonesia's climate and development agenda, but its governance remains distributed across institutions with different mandates, administrative routines, and accountability mechanisms (**Interview, MOF-1; Interview, BAPPENAS-1; Interview, BPD LH-1; Document analysis, RPJMN 2020–2024; Document analysis, NDC 2021**). This layered structure reflects the broader complexity of climate finance governance, where institutional arrangements and implementation capacity are as important as financial instruments themselves (**Interview, MOF-1; Interview, BAPPENAS-1; Document analysis, Climate Budget Tagging Report; (Bhandary et al., 2021; Pickering et al., 2017)**).

At the global level, Indonesia's climate finance governance is shaped by international climate commitments and reporting obligations. Climate finance is framed as part of the country's responsibility to support mitigation, adaptation, and low-carbon development (**Document analysis, Law No. 16 of 2016; Document analysis, NDC 2021; Document analysis, Long-Term Strategy for Low Carbon and Climate Resilience 2050**). However, the data show that global commitments are not directly translated into a unified domestic financing system. They are first filtered through national planning, fiscal policy, sectoral programs, and

institutional interpretations. This creates a gap between the language of international climate commitment and the administrative realities of domestic implementation.

At the national planning level, Bappenas plays an important role in linking climate priorities with development planning. Documents related to low-carbon development and national development planning show that climate action is not positioned merely as an environmental agenda, but as part of broader development policy (**Document analysis, RPJMN 2020–2024; Document analysis, RKP 2020–2024; Document analysis, Long-Term Strategy for Low Carbon and Climate Resilience 2050**). Interviews also suggest that planning institutions seek to integrate climate objectives into development priorities (**Interview, BAPPENAS-1**). However, this integration depends on whether sectoral ministries and subnational governments can translate climate-related targets into concrete programs, budget proposals, and measurable outputs. This finding is consistent with the view that climate finance needs to be connected to broader sustainable development priorities rather than treated as an isolated environmental funding agenda (Iacobuță et al., 2022).

At the fiscal level, the Ministry of Finance occupies a central position because climate finance must pass through budgetary rules, fiscal discipline, and public finance management procedures. Instruments such as Climate Budget Tagging, green sukuk, carbon economic value mechanisms, and climate-related fiscal policies indicate that climate finance has entered Indonesia's fiscal governance system (**Document analysis, PMK No. 190/PMK.02/2022; Document analysis, Climate Budget Tagging Report; Document analysis, Green Sukuk Report; Document analysis, Presidential Regulation No. 98 of 2021; Interview, MOF-1**). These instruments make climate-related expenditure more visible and provide a formal basis for showing state commitment to climate action. Nevertheless, interview data indicate that fiscal visibility does not automatically produce integrated implementation (**Interview, MOF-1; Interview, CSO-1**). Climate-related spending

remains subject to budget constraints, sectoral priorities, and the broader logic of fiscal prudence.

The findings also show the specific role of BPDH as an environmental fund management institution. BPDH represents an effort to create a more dedicated institutional mechanism for managing environmental and climate-related funds. Its presence shows that Indonesia has attempted to move beyond conventional state budget mechanisms by developing a fund management body that can support environmental and climate programs (Document analysis, Presidential Decree No. 53 of 2020; Document analysis, BPDH Annual Report; Interview, BPDH-1). However, the role of BPDH still depends on coordination with the Ministry of Finance, Bappenas, technical ministries, donors, and implementing actors (Interview, BPDH-1; Interview, MOF-1; Interview, BAPPENAS-1). This means that BPDH strengthens the climate finance architecture, but does not eliminate institutional fragmentation.

Parliament and civil society actors form another important layer of governance. Parliamentary actors are involved through budgeting, political oversight, and the interpretation of climate finance within broader fiscal debates (Interview, DPR-1). Civil society organizations and policy research institutions contribute by raising concerns about transparency, accountability, participation, and climate justice (Interview, CSO-1; Interview, CSO-2; Document analysis, PWYP Policy Brief; Document analysis, Cerah Policy Brief; Document analysis, CPI Report). Their perspectives show that climate finance is not only an administrative issue managed by government agencies, but also a public accountability issue that requires external scrutiny. This multi-actor configuration reflects the polycentric character of climate governance, in which authority is distributed across several institutions rather than concentrated in one central actor (Jordan et al., 2015).

At the sectoral and subnational levels, the implementation of climate finance depends on

technical ministries and local governments. The data show that climate-related programs are spread across sectors such as energy, forestry, transportation, agriculture, disaster risk reduction, and local development (Document analysis, RKP 2020–2024; Document analysis, State Budget Financial Notes 2020–2024; Document analysis, Climate Budget Tagging Report; Interview, BAPPENAS-1; Interview, MOF-1). This sectoral distribution creates practical difficulties because each sector has its own planning logic, budget cycle, performance indicators, and institutional interests. These findings are consistent with the literature on policy integration, which shows that cross-cutting policy issues require alignment across goals, instruments, and institutions (Candel & Biesbroek, 2016). As a result, climate finance governance in Indonesia appears as a layered system: formally connected through national commitments and fiscal instruments, but operationally fragmented across institutions, sectors, and levels of government.

4.2 Policy Paradox: Climate Ambition and Fiscal Prudence

The findings reveal a central policy paradox in Indonesia's climate finance governance: the state has adopted ambitious climate commitments, but the realization of these commitments remains constrained by fiscal prudence, budgetary limits, and administrative procedures. Policy documents show that Indonesia recognizes climate change as a strategic development issue and has placed mitigation, adaptation, and low-carbon development within its national policy agenda (Document analysis, NDC 2021; Document analysis, Long-Term Strategy for Low Carbon and Climate Resilience 2050; Document analysis, RPJMN 2020–2024). However, interview data and documentary analysis indicate that climate finance is still governed through the ordinary logic of public finance management, where budget discipline, fiscal risk, and competing expenditure priorities remain dominant considerations (Interview, MOF-1; Interview, MOF-2; Document analysis, State Budget Financial Notes 2020–2024).

This paradox is visible in the gap between climate finance needs and available public budget capacity. The data show that Indonesia's climate finance requirement until 2030 is very large, while the state budget can only cover a limited portion of the total need (Document analysis, NDC financing estimate; Document analysis, Ministry of Finance Climate Budget Report; Document analysis, State Budget Financial Notes 2020–2024). This creates a structural tension between climate ambition and fiscal feasibility. On the one hand, climate policy requires long-term and transformative financing. On the other hand, public finance institutions must maintain fiscal stability, control expenditure, and ensure that climate-related spending fits within existing budgetary rules. This condition supports Stone's (2002) view that public policy often involves competing values that cannot be fully reconciled through technical calculation alone.

The paradox also appears in the use of fiscal instruments. Climate Budget Tagging, green sukuk, carbon economic value mechanisms, and BPDH show that Indonesia has developed several instruments to support climate finance governance (Document analysis, PMK No. 190/PMK.02/2022; Document analysis, Climate Budget Tagging Report; Document analysis, Green Sukuk Report; Document analysis, Presidential Regulation No. 98 of 2021; Document analysis, BPDH Annual Report).. These instruments demonstrate policy innovation and state commitment. However, the data indicate that the presence of instruments does not automatically solve implementation problems (Interview, MOF-1; Interview, BAPPENAS-1; Interview, BPDH-1; Interview, CSO-1).. Climate Budget Tagging can make climate-related expenditure more visible, but it does not necessarily ensure that tagged spending produces measurable mitigation or adaptation outcomes (Document analysis, Climate Budget Tagging Report; Interview, MOF-1; Interview, CSO-1). Green sukuk can mobilize alternative financing, but its use remains attached to project eligibility, reporting systems, and fiscal credibility (Document analysis, Green Sukuk Report; Interview, MOF-2).. BPDH provides a

dedicated institutional mechanism for environmental fund management, but its effectiveness still depends on coordination with fiscal, planning, technical, and implementing institutions (Document analysis, BPDH Annual Report; Interview, BPDH-1; Interview, BAPPENAS-1).

This finding is consistent with studies showing that climate finance in developing countries is shaped by institutional capacity and fiscal constraints, not merely by the availability of financing instruments (Bhandary et al., 2021; Halimanjaya, 2015). In Indonesia, climate finance is therefore governed through a dual logic. It must respond to climate urgency, but it must also remain acceptable within the state's fiscal and administrative system.

The paradox becomes more complex when viewed from the perspective of justice and equity. Interview data from civil society and policy observers suggest that climate finance is not only expected to support emission reduction, but also to address vulnerability, adaptation needs, and the protection of affected communities (Interview, CSO-1; Interview, CSO-2; Document analysis, PWYP Policy Brief; Document analysis, Cerah Policy Brief; Document analysis, CPI Report). This creates another tension between administrative control and climate justice. Fiscal institutions tend to prioritize accountability through budget procedures, reporting, and compliance, while civil society actors emphasize whether climate finance reaches vulnerable groups and produces substantive public benefits (Interview, MOF-1; Interview, CSO-1; Interview, CSO-2). This tension reflects broader debates on climate finance, justice, and equity (Carley & Konisky, 2020; Khan et al., 2020; Markkanen & Anger-Kraavi, 2019).

Thus, the policy paradox in Indonesia's climate finance governance does not simply arise from a lack of funding. It emerges from the interaction between ambitious climate commitments, cautious fiscal governance, fragmented institutional authority, and competing expectations about justice and accountability. Climate finance is therefore governed not as a

purely technical budgetary matter, but as a contested administrative field in which fiscal prudence, climate ambition, development priorities, and public accountability continuously intersect.

4.3 Fiscal Symbolism and Green Policy Narratives

The findings show that Indonesia's climate finance governance is strongly shaped by fiscal symbolism. Climate finance instruments are not only used to mobilize and manage resources, but also to communicate state commitment to climate action. Documentary analysis indicates that instruments such as Climate Budget Tagging, green sukuk, carbon economic value mechanisms, and BPDH are presented as evidence that Indonesia has incorporated climate change into its fiscal and development governance (Document analysis, Climate Budget Tagging Report; Document analysis, Green Sukuk Report; Document analysis, Presidential Regulation No. 98 of 2021; Document analysis, BPDH Annual Report). These instruments help the state demonstrate that climate policy is not merely an environmental agenda, but part of public finance reform and national development transformation.

Climate Budget Tagging illustrates this symbolic and administrative function. On the one hand, it provides a mechanism for identifying and reporting climate-related expenditure within the state budget. It allows the government to show how public spending is connected to mitigation and adaptation priorities. On the other hand, the data indicate that tagging does not automatically guarantee substantive climate outcomes. Several policy documents show that tagged expenditure can improve fiscal visibility, but interview findings suggest that the meaning of "climate-related" spending remains dependent on classification practices, sectoral interpretation, and the quality of monitoring (Document analysis, PMK No. 190/PMK.02/2022; Document analysis, Climate Budget Tagging Report; Interview, MOF-1; Interview, BAPPENAS-1). In this sense, Climate Budget

Tagging makes climate finance visible, but visibility itself is not the same as accountability.

A similar pattern appears in the use of green sukuk. Green sukuk has become one of Indonesia's most visible climate finance instruments because it links public financing with green projects and international sustainable finance narratives (Document analysis, Green Sukuk Report; Interview, MOF-2). The instrument signals that the state is able to mobilize innovative financing for climate-related development. This finding is consistent with studies showing that green bonds and sustainable finance instruments can function as signals of environmental commitment and policy credibility (Flammer, 2021; Tolliver et al., 2020). However, the data also suggest that the legitimacy of green sukuk depends on whether financed projects are transparently selected, monitored, and reported. Without strong accountability mechanisms, the instrument risks being understood more as a symbol of green commitment than as evidence of transformative climate financing.

Carbon pricing and carbon economic value mechanisms also carry symbolic significance (**Document analysis, Presidential Regulation No. 98 of 2021; Interview, MOF-1; Interview, CSO-1**). They indicate the state's attempt to assign economic value to emissions reduction and environmental protection. However, interview data suggest that these mechanisms remain administratively complex because they require regulatory certainty, institutional coordination, market readiness, and credible monitoring systems. As Dikau and Volz (2021) argue, green finance depends not only on financial instruments, but also on institutional credibility and governance support.

BPDH represents another important element of fiscal symbolism. Its establishment shows an effort to create a dedicated institution for managing environmental and climate-related funds. However, the findings indicate that its role remains connected to broader fiscal, planning, and sectoral governance systems. BPDH therefore strengthens the image of institutional commitment, but its effectiveness still depends

on coordination, fund flow clarity, and measurable program outcomes (Interview, BPD LH-1; Document analysis, BPD LH Annual Report; Interview, CSO-1).

These findings support Stone's (2002) view that policy instruments also operate through symbols, categories, and public meanings. In Indonesia's climate finance governance, green fiscal instruments help build legitimacy by making climate commitment visible. Yet legitimacy cannot rest on visibility alone. As Heald (2012) and Wehner and de Renzio (2013) suggest, fiscal transparency becomes meaningful only when information can support scrutiny, monitoring, and accountability. Thus, Indonesia's green fiscal narratives reveal a dual function: they strengthen the state's climate legitimacy, while also exposing the need for stronger outcome-based accountability.

4.4 Institutional Fragmentation and Contested Policy Meanings

The findings indicate that institutional fragmentation is one of the most persistent features of climate finance governance in Indonesia. Climate finance involves several institutions, including the Ministry of Finance, Bappenas, BPD LH, technical ministries, parliament, civil society organizations, and development partners. Each actor occupies a different position in the governance process and brings different mandates, policy vocabularies, and accountability expectations. As a result, climate finance is not governed through a single administrative logic, but through multiple institutional logics that often overlap and compete.

The Ministry of Finance tends to frame climate finance through the language of fiscal discipline, budget credibility, financial risk, and expenditure accountability (Interview, MOF-1; Interview, MOF-2). From this perspective, climate finance must be compatible with public finance rules and broader fiscal stability. Bappenas, by contrast, frames climate finance as part of development planning and low-carbon transformation (Interview, BAPPENAS-1; Document analysis, RPJMN 2020–2024). Its concern is not only

whether resources are available, but whether climate objectives are integrated into national and sectoral development priorities. BPD LH adds another layer by positioning climate finance as a matter of fund management, fiduciary responsibility, and program delivery (Interview, BPD LH-1; Document analysis, BPD LH Annual Report). These different interpretations show that fragmentation is not only organizational, but also interpretive.

Technical ministries and subnational governments introduce further complexity. The data show that climate-related programs are distributed across sectors such as energy, forestry, agriculture, transportation, disaster management, and local development. Each sector has its own planning cycle, budget structure, technical indicators, and performance targets. This makes coordination difficult because climate finance must be translated into existing sectoral routines. Such fragmentation is consistent with the broader literature on climate finance and environmental governance, which shows that multiple institutions often operate through dispersed mandates and uneven coordination mechanisms (Pickering et al., 2017; Zelli & van Asselt, 2013).

The findings also reveal contested meanings around accountability. Government actors often associate accountability with compliance, reporting, budget tagging, auditability, and formal procedures. Civil society actors, however, tend to emphasize substantive accountability, including transparency of fund allocation, public access to information, community benefits, vulnerability reduction, and climate justice (Interview, CSO-1; Interview, CSO-2; Document analysis, PWYP/Cerah/CPI Policy Brief). This difference shows that climate finance is not only contested over resources, but also over the meaning of responsibility and public value.

This pattern reflects the polycentric and multi-level character of climate governance, where authority is distributed across several actors and levels rather than concentrated in one institution (Di Gregorio et al., 2019; Jordan et al., 2015). However, as Morrison et al. (2019) remind us, polycentric governance is never free from power

relations. In Indonesia, some institutions have stronger authority to define fiscal priorities, while others play more limited roles in implementation or oversight (**Interview, MOF-1; Interview, BAPPENAS-1; Interview, DPR-1; Interview, CSO-1**). Therefore, the challenge is not only to create more institutions, but to strengthen coordination across them. This supports the argument that contemporary governance requires whole-of-government coordination to manage cross-cutting policy problems (Christensen & Laegreid, 2007; Peters, 2018). In Indonesia's climate finance governance, fragmentation persists because institutional roles are formally connected, but policy meanings, fiscal authority, and accountability expectations remain unevenly aligned.

4.5 Synthesis: Climate Finance as a Paradoxical Governance Field

Taken together, the findings show that climate finance governance in Indonesia operates as a paradoxical governance field. It is formally supported by climate commitments, fiscal instruments, planning frameworks, and dedicated institutions, yet its implementation remains shaped by fiscal caution, fragmented authority, uneven coordination, and contested meanings of accountability (**Interview, MOF-1; Interview, BAPPENAS-1; Interview, BPDHL-1; Interview, CSO-1; Document analysis, Climate Budget Tagging Report; Document analysis, BPDHL Annual Report**). Climate finance therefore does not operate as a linear policy scheme in which global commitments are simply translated into domestic funding and sectoral programs. Rather, it is governed through a series of negotiations among institutions, instruments, and public values.

The first pattern is architectural complexity. Climate finance is distributed across global commitments, national development planning, fiscal policy, environmental fund management, parliamentary oversight, sectoral programs, and subnational implementation. This architecture shows that climate finance policy depends not only on the availability of funding, but also on institutional arrangements and implementation

capacity, as emphasized by Bhandary et al. (2021). In the Indonesian case, the presence of various instruments does not produce a single integrated governance system. Instead, it creates a layered structure in which coordination becomes a continuous administrative challenge.

The second pattern is policy paradox. Indonesia's climate finance governance is marked by tensions between climate ambition and fiscal prudence, sustainability and growth, global commitment and domestic feasibility, and administrative control and climate justice. These tensions reflect Stone's (2002) argument that public policy is often shaped by competing values rather than purely technical problem-solving. Climate finance is expected to be transformative, but it must also pass through budget rules, fiscal risk considerations, and bureaucratic routines.

The third pattern is fiscal symbolism. Instruments such as Climate Budget Tagging, green sukuk, carbon economic value mechanisms, and BPDHL make climate commitment visible within the state's fiscal and institutional system (Document analysis, PMK No. 190/PMK.02/2022; Document analysis, Green Sukuk Report; Document analysis, Presidential Regulation No. 98 of 2021; Document analysis, BPDHL Annual Report). However, visibility does not automatically lead to substantive accountability. These instruments strengthen green legitimacy, but their transformative value depends on whether they are connected to monitoring, outcome measurement, and public scrutiny.

The fourth pattern is institutional fragmentation. The findings show that climate finance involves multiple institutions with different mandates and policy interpretations. This confirms broader concerns that climate finance governance is often fragmented across actors, instruments, and levels of authority (Pickering et al., 2017). It also reflects the difficulty of policy integration in cross-cutting governance fields, where goals, instruments, and institutions must be aligned across sectors (Candel & Biesbroek, 2016). In such a context, state capacity is not only a matter of fiscal resources or technical expertise, but also the

ability to coordinate authority, manage power relations, and create shared policy meanings (Howlett & Ramesh, 2016; Morrison et al., 2019).

Thus, climate finance governance in Indonesia should be understood as a paradoxical administrative field. Its central problem is not simply how to mobilize more funds, but how to govern climate finance in a way that connects fiscal discipline, institutional coordination, green legitimacy, and accountable climate outcomes.

5. Discussion

5.1 Climate Finance and the Governance of Competing Values

The findings show that climate finance governance in Indonesia is shaped by competing public values rather than by technical financing considerations alone. This confirms Stone's (2002) argument that public policy is often formed through tensions among values that are equally legitimate but difficult to reconcile. In the Indonesian case, climate finance is expected to support ambitious mitigation and adaptation goals, but it must also operate within fiscal discipline, budgetary control, and administrative accountability. This produces a persistent tension between climate ambition and fiscal prudence.

This tension reflects the characteristics of wicked problems. Climate finance cuts across environmental protection, public finance, development planning, energy transition, social protection, and international cooperation. As Head and Alford (2015) suggest, wicked problems are marked by uncertainty, fragmented authority, and value conflict. Indonesia's experience shows that climate finance cannot be governed only through sectoral routines or financial instruments. It requires governance capacity that combines analytical, operational, and political capabilities (Howlett & Ramesh, 2016; Wu et al., 2015).

The findings also show that climate finance involves questions of justice and equity. Civil society actors tend to evaluate climate finance not only by how much funding is mobilized, but by whether it reaches vulnerable groups, supports adaptation needs, and produces fair public

benefits. This concern is consistent with climate justice literature, which argues that climate policies may reproduce inequality if distributional effects are not addressed (Carley & Konisky, 2020; Khan et al., 2020; Markkanen & Anger-Kraavi, 2019; Patterson et al., 2018). Thus, climate finance in a developing state context should be understood as a governance arena where fiscal responsibility, climate urgency, development priorities, and social justice continuously interact.

5.2 Fiscal Symbolism and the Politics of Green Legitimacy

The findings indicate that Indonesia's green fiscal instruments perform both administrative and symbolic functions. Instruments such as Climate Budget Tagging, green sukuk, carbon economic value mechanisms, and BPD LH help make climate finance visible within the state's fiscal and institutional architecture. However, they also communicate a political message: that the state is responsive to climate change and capable of aligning public finance with green development. This supports Stone's (2002) view that policy instruments and categories can operate as symbols that construct public meaning and legitimacy.

Green fiscal instruments can strengthen state legitimacy because they demonstrate formal commitment to climate governance. Green sukuk, for example, signals that the state is able to connect public financing with sustainable investment narratives. This is consistent with studies showing that green bonds can communicate environmental commitment and credibility (Flammer, 2021; Tolliver et al., 2020). Similarly, carbon pricing and climate-related financial policies reflect the broader movement toward integrating climate risks into financial governance (Dikau & Volz, 2021; Monasterolo, 2020).

Yet symbolic visibility does not automatically produce substantive accountability. Climate Budget Tagging may show that certain expenditures are climate-related, but tagging does not by itself prove that spending produces measurable mitigation, adaptation, or resilience

outcomes. Heald (2012) reminds us that fiscal transparency is meaningful only when information can support scrutiny and accountability. Wehner and de Renzio (2013) and Alt and Lassen (2006) similarly connect fiscal transparency with political incentives and credibility. In Indonesia, green legitimacy therefore depends on whether fiscal instruments are accompanied by credible monitoring, public audit, and accessible information. Without this, green fiscal policy may remain visible but weakly accountable (Cicek & Dikmen, 2021; Piotrowski & Van Ryzin, 2007).

5.3 Institutional Fragmentation, State Capacity, and Coordination

The findings show that institutional fragmentation remains a central challenge in Indonesia's climate finance governance. Climate finance is distributed across the Ministry of Finance, Bappenas, BPDH, technical ministries, parliament, civil society organizations, development partners, and subnational governments. This confirms broader arguments that climate finance and environmental governance are often fragmented across institutions, mandates, and policy levels (Pickering et al., 2017; Zelli & van Asselt, 2013).

This fragmentation is not only structural, but also interpretive. Different institutions understand climate finance through different policy logics. The Ministry of Finance tends to emphasize fiscal discipline and expenditure accountability. Bappenas emphasizes planning integration and development transformation. BPDH focuses on fund management and fiduciary responsibility. Civil society actors stress transparency, public participation, and climate justice. These different meanings reflect the polycentric and multi-level character of climate governance, where authority is distributed but not always equally coordinated (Di Gregorio et al., 2019; Jordan et al., 2015; Morrison et al., 2019).

The Indonesian case shows that state capacity in climate finance governance cannot be reduced to technical expertise or budget availability. It also includes the ability to align goals, instruments, institutions, and accountability systems. This is

consistent with policy integration literature, which emphasizes the importance of connecting policy objectives across sectors and administrative boundaries (Candel & Biesbroek, 2016; Tosun & Lang, 2017). It also supports whole-of-government arguments that complex public problems require coordination beyond bureaucratic silos (Christensen & Laegreid, 2007; Peters, 2018). Therefore, improving climate finance governance requires clearer division of roles, stronger intergovernmental coordination, and shared policy interpretation across fiscal, planning, environmental, and sectoral institutions (Bukharskiy & Lavrov, 2021; Gladun et al., 2021).

5.4 Theoretical Contribution to Social Science and Climate Governance

This article contributes to social science debates by showing that climate finance governance should be understood as a paradoxical administrative field, not merely as a technical financing mechanism. Existing climate finance literature has emphasized funding mobilization, institutional design, allocation, and development alignment (Bhandary et al., 2021; Iacobuță et al., 2022). This study extends that discussion by demonstrating how climate finance is also shaped by symbolic politics, contested meanings, fragmented authority, and competing public values.

The article also extends the use of policy paradox theory in climate governance studies. Stone's (2002) framework helps explain why climate finance can appear progressive at the level of policy instruments, while remaining constrained at the level of implementation and accountability. In Indonesia, climate finance is simultaneously a commitment to climate action, a fiscal management challenge, a symbol of green legitimacy, and an arena of institutional contestation. This layered interpretation shows that paradox is not a temporary weakness, but a constitutive feature of climate finance governance.

Methodologically, the study contributes by applying interpretive policy analysis to climate finance. Rather than treating policy documents and fiscal instruments as neutral administrative

objects, the analysis reads them as sites where meanings, legitimacy, and authority are constructed. This approach is consistent with interpretive and discursive policy scholarship, which emphasizes framing, discourse, and institutional meaning-making (Fischer, 2003; Schmidt, 2008; van Hulst & Yanow, 2016; Yanow, 2000).

Finally, the Indonesian case adds to broader discussions on state capacity in developing countries. It shows that climate finance governance depends not only on mobilizing funds, but also on coordinating power relations, integrating policy instruments, and creating accountable public action amid fragmented institutions (Howlett & Ramesh, 2016; Morrison et al., 2019; Pickering et al., 2017).

6. Conclusion

This article has examined how climate finance is governed in Indonesia amid competing fiscal, institutional, and political pressures. The findings show that climate finance governance in Indonesia is not merely a technical matter of mobilizing and allocating funds. It operates as a paradoxical governance field in which climate ambition, fiscal prudence, green legitimacy, institutional fragmentation, and public accountability intersect. Indonesia has developed several climate finance instruments, including Climate Budget Tagging, green sukuk, carbon economic value mechanisms, and BPD LH. These instruments demonstrate formal state commitment to climate action, yet their effectiveness depends on the state's capacity to coordinate institutions, align policy meanings,

and connect fiscal visibility with measurable climate outcomes.

The article contributes to climate governance and public administration scholarship in three ways. First, it extends policy paradox theory by showing that climate finance contains unresolved tensions between global commitment and domestic feasibility, sustainability and growth, administrative control and climate justice, and fiscal credibility and transformative climate action. Second, it shows that green fiscal instruments function not only as financing mechanisms, but also as symbols of legitimacy. Third, it demonstrates that institutional fragmentation in climate finance is not only about overlapping mandates, but also about contested meanings of accountability, responsibility, and public value.

Practically, the findings suggest that improving climate finance governance requires more than expanding funding sources. It requires stronger coordination among the Ministry of Finance, Bappenas, BPD LH, technical ministries, parliament, civil society actors, and subnational governments. It also requires clearer outcome-based monitoring, stronger public accountability, and better integration between planning, budgeting, fund management, and implementation.

This study is limited by its focus on Indonesia as a single developing-state case. Future research may compare climate finance governance across developing countries or examine how subnational governments translate national climate finance instruments into local mitigation, adaptation, and resilience outcomes

7. References

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