

UN JOINT PROGRAMME | Accelerating SDGs Investments in Indonesia (ASSIST)

NEWSLETTER

1st Edition (January-April 2022)

Message from the UN Resident Coordinator

Bringing the 2030 Agenda on track has never been more urgent. Our experience of the COVID-19 pandemic, the economic fallout of the war in Ukraine, and the increased frequency and severity of climate-related disasters in Indonesia are three persistent reminders that no one is safe until we're all safe; that no country can do it alone. While these crises touch all of us, everywhere, their burdens have repeatedly landed heaviest on those most at risk of being left behind.



In the face of these mounting, complex crises, global solidarity, and a multilateral approach are needed more than ever. The Sustainable Development Goals (SDGs) give us a blueprint to achieve a better and more sustainable future for all, and to protect society's most vulnerable. But even as emergencies like COVID-19, the war in Ukraine, and climate-related disasters underscore the imperative to achieve the SDGs, they divert funds away from our development efforts.

To bring those efforts back on track, we must mobilize tremendous resources and capital. Indeed, Indonesia's SDGs Roadmap 2019 indicated that an estimated USD 4.7 trillion of funding was required to achieve the country's 2030 SDG targets—and that's before we factor in COVID-19's economic impact.

The mobilization of capital we saw from governments in response to COVID-19 proves the funds are there. The key to mobilizing capital for SDG achievement rests both in leveraging existing financing and unlocking new financing sources. Innovative financing instruments such as thematic bonds, SDGs-linked loans, and impact investing can be key pieces in the puzzle.

Indonesia has proven itself a pioneer of innovative financing. As part of efforts to address the funding gap and to move towards a sustainable post-COVID-19 economic recovery, Indonesia's government is seeking to boost investment for the SDGs through innovative instruments like last year's SDG Bond, the first such bond from any country in Southeast Asia. The ASSIST Joint Programme is the UN's strategic framework to support the Government of Indonesia in significantly increasing public and private capital mobilization towards the SDGs.

Indeed, the ASSIST is a prime example of the way UN agencies work together to address barriers and challenges efficiently, avoiding duplication or wasted resources. In the spirit of global solidarity and strengthened multilateralism, our work with the government and public and private sector partners shows that together we are committed to building a nation that is prosperous, democratic, and just, where development benefits all people, and where the rights of future generations are protected.

This First Edition of the ASSIST Newsletter shares some of the achievements of this joint programme to date. We hope it will be a helpful reference for our partners and stakeholders.

Valerie Julliard
UN Resident Coordinator in Indonesia

ASSIST Official Launching First Step in Collaboration



The United Nations (UN) in Indonesia launched a UN Joint Programme, titled *Accelerating Sustainable Development Goals (SDGs) Investment in Indonesia* (ASSIST) on December 3, 2021. It marked the official start of a strategic collaboration among UN agencies which coordinated by the UN Resident Coordinator's (UNRCO) Office.

The Virtual Launch was opened by UN Resident Coordinator, Ms. Valerie Julliard, and was attended by representatives from Indonesia's Ministry of Finance, Ministry of National Development Planning/Bappenas, Financial Services Authority (OJK), and other key partners and stakeholders as well as public audience.

On this occasion, Ms Julliard said, "Achieving the SDGs requires the mobilization of tremendous resources and capital. And the key to achieving this rests both in leveraging existing financing and unlocking new financing sources. It is incumbent upon us to ensure that we carry forward the spirit of collaboration and partnership for this Decade of Action."



Indonesia was **one of four countries** that **received this funding** out of 155 proposals from more than 100 countries globally

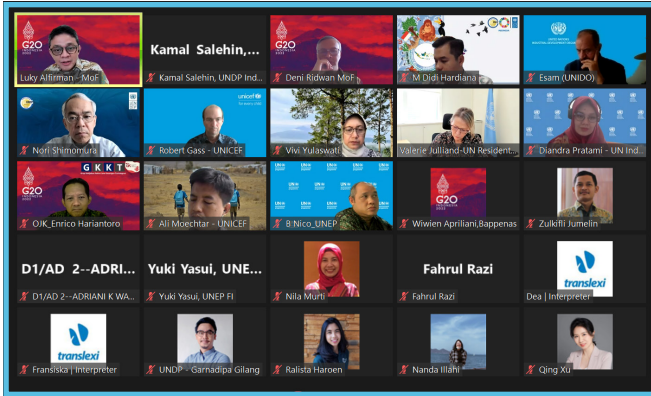
Mr. Luky Alfirman, Director General of Budget Financing and Risk Management, Ministry of Finance, expressed his support to the programme in his remarks. "I believe this programme will enhance multi-stakeholder collaboration, encouraging more actors to also take part in re-orienting investments and efforts towards accelerating the SDGs achievements." said Mr. Alfirman.

Lead by the United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Children's Fund (UNICEF) and United Nations Industrial Development Organization

(UNIDO) will collaborate with the Government of Indonesia, the private sector, civil society organizations, and relevant stakeholders to leverage new financing schemes to meet the funding needs of the SDGs.

The programme also aims to empower women-led and youth-led Micro, Small, and Medium Enterprises (MSMEs) by equipping them with the knowledge to access financing to boost sustainable businesses with social and environmental impacts through incubator and accelerator programs.

1ST ASSIST Project Steering Committee Meeting



The first Project Steering Committee (PSC) meeting of the ASSIST, was held on March 10, 2022 and attended by the Committee members which included representatives from the Ministry of Finance, Ministry of National Development Planning (BAPPENAS), Ministry of Cooperatives and Small-Medium Enterprises, Coordinating Ministry for Maritime and Investment Affairs, and Financial Services Authority (OJK). It also included representatives of the UN in Indonesia Country Team. UN Resident Coordinator in Indonesia, Valerie Julliard and Director General of Budget Financing and Risk Management, Ministry of Finance Luky Alfirman, were the chair and co-chair for the PSC.

The objective of the PSC Meeting was to review the overview progress, achievement, and lessons learned from the implementation in 2021, as well as recommend the workplan and key priorities in 2022 and align strategy related to program implementation.

ASSIST is a testament of the United Nations in Indonesia's commitment to support the Government of Indonesia (GoI) in achieving the 2030 Agenda on Sustainable Development. The targeted outcome of the ASSIST is the increased financing leveraged through innovative finance mechanism which expected to be achieved through the following outputs: (1) Catalyzed Issuance of thematic bonds at national and subnational level; (2) Increased the green and SDG-linked loans and (3) Operationalized of Indonesia Impact Fund towards SDG-oriented sectors.



Indonesia's First SDG Bond Issuance: A Continuous Partnership between the Government of Indonesia and UNDP



In September 2021

Indonesia became the **first country in Southeast Asia** to issue a sovereign SDG Bond in the global debt capital market

Indonesia has been affected by COVID-19, which impacted much of the country's progress and development, including toward fulfilling its SDG targets. The Government needs to mobilize greater investments beyond the usual budget exercise to accelerate the target achievement while also recovering from pandemic condition. The 2021 Indonesia SDG Bond demonstrates the Government of Indonesia's (GOI) commitment in accelerating the achievement of SDGs, particularly in the wake of the pandemic, while highlighting the innovative and forward-thinking approach to raising new funds for SDGs and keeping on track for the final 8-years sprint towards 2030.

Prior the bonds issuance, UNDP supports the Ministry of Finance in establishing the securities framework to ensure the proceeds were directed to the most appropriate projects. The 2021 issuances were mobilized to finance the social projects (health, education) and the

affordable infrastructure (access to telecommunication services for the remote area). Through collaboration with Ministry of National Development Planning (Bappenas), the Coordinating Ministry of Maritime and Investment, HSBC and Credit Agricole, the Indonesia Sovereign SDG Bonds in 2021 achieved global acknowledgements and further strengthen Indonesia's reputation as the savviest bond issuers in Asia.

In September 2021 Indonesia became the first country in Southeast Asia to issue an SDG Bond in the global debt capital market, raising EUR 500 million (USD 584 million). The Bond will enable the government to finance social and environmental projects, further demonstrating the government's commitment to the SDGs. The 12-year bond carries a coupon rate of 1.3%—the lowest rate for a 12-year tenor bond.

UNDP continues to work in close partnership with the GOI through the Ministry of Finance during all stages of the SDG Bond's cycle. The support provided including the development of a feasibility study, provision of technical assistance during framework development and its external review and will carry over support through the impact and allocation reporting phase.

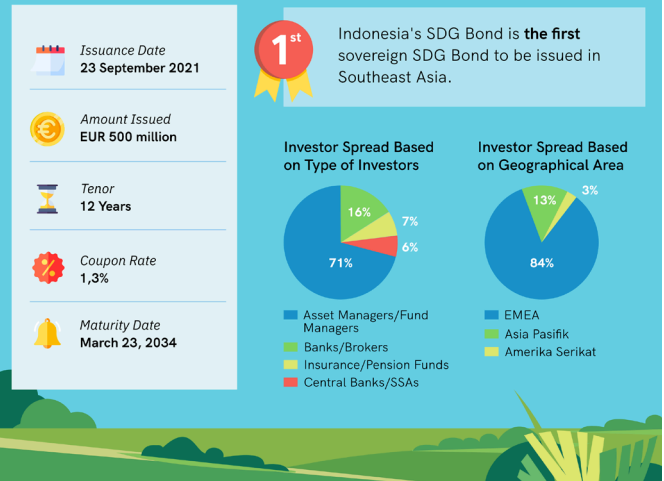
Despite having experienced robust growth prior to the pandemic, the country has been confronted with issues related to inequality and poverty. The SDG bond provides an alternative source of financing for Indonesia to fast-track achievement of the SDGs, particularly in light of the pandemic.

What is SDG Bond?



SDG Bond is an innovative financing instrument which proceeds are allocated towards financing and/or refinancing SDGs-related projects, in accordance with the Republic of Indonesia SDGs Government Securities Framework.

This issuance is part of the government's effort to achieve Indonesia's 2030 sustainable development agenda



UNICEF Indonesia Produces Child-Sensitive Budget Analyses: 2021 - 2025

Under the ASSIST Joint Programme, UNICEF Indonesia is implementing several Public Finance for Children and Innovative Finance activities, in close collaboration with the Ministry of Finance and other key governments and civil society partners, to accelerate the attainment of child-sensitive SDGs in Indonesia— in accordance with the Country Programme Action Plan 2021-2025.

Through close collaboration with the Fiscal Policy Agency (BKF) of the Ministry of Finance and the Institute for Economic and Social Research at the University of Indonesia (LPEM), UNICEF Indonesia is conducting budget analyses on the current state of investment on children by the Government of Indonesia (GoI) – at national level and sub-national levels. These will serve as baseline studies to understand the state of spending on children in Indonesia and provide valuable reference points for policy dialogues on expenditure on children in the coming years – to better achieve the fulfillment of child rights and the Sustainable Development Goals (SDGs).

The national budget analysis – 'The Budget Analysis for Children', is the first comprehensive study of its kinds as it aims to increase visibility of children in the Indonesian state budget. It explores the extent of child-related spending in education, health, social affairs, child protection, and other interconnected sectors in Indonesia, reflecting national priorities aligned with the SDGs.

Focused on child-related spending in two budget years – 2015 and 2019 – in four key ministries (the Ministry of Education and Culture; the Ministry of Health; the Ministry of Social Affairs; and the Ministry of Women's Empowerment and Child-Protection) it provides insight into spending on different groups of children, to inform policymakers on the adequacy and effectiveness of child-related public spending.

To compliment the study, a series of workshops were delivered to central government officials, on child-sensitive budget tagging. They introduced methods of tracking public expenditure for children to improve financial accountability and service delivery for children in Indonesia.



One key finding revealed **only 5.5 percent** of central national spending in **2019** constituted **child-related spending** across four ministries

These activities are the first steps towards a long-term commitment to strengthen the national and subnational government capacity in public finance management for children. Under the Country Programme Action Plan 2021–2025, UNICEF with the GoI will build on this initiative – with focused attention on expanding its methodologies to involve more government ministries and greater emphasis on measuring public expenditure against child-related SDGs, establishing partnerships, and delivering capacity building to more stakeholders, whilst rolling out work at the subnational level.

Unlocking the Access to SDGs-Linked Loans: UNIDO and UNEP Launch Green Loans on Lombok island in Indonesia

Aiming at contributing to the sustainable financing and green economy in general, UNIDO and UNEP launched the SDGs-linked loan facilitation for aquaculture SMEs in Lombok Island, a super-priority destination in Indonesia as a pilot locus of the project. As the second component of the ASSIST UN Joint Program funded by the UN Joint SDG Fund, SDGs-linked loan through the creation of 'Green catalogues' by UNEP will help streamline loan approval systems and provide metrics for measuring the impact to support the green economy in financing.

In this regard, UNIDO partakes in the technical assistance by introducing sustainable aquaculture practices through the application of aquaculture SOP and IndoGAP certification with the purpose of increasing productivity, market access, and business performance of aquaculture SMEs. Mr. Masyhuri, the Head of Cooperatives and SMEs Department of West Nusa Tenggara (NTB) conveys his appreciation of this initiative. He mentioned that the shrimp farming industry provides an alternative livelihood for people who would otherwise resort to illegally harvesting coral or engaging in forest clearing for agriculture purposes. The technical assistance provided by UNIDO and UNEP on aquaculture SOP, IndoGAP certification as well as SDGs-linked loans would be a breakthrough solution to improve aquaculture productivity, especially for shrimp production in the province. With the purpose of assisting the aquaculture farmers in improving their

sustainable businesses, this joint effort through the SDGs-linked loan component will also support the implementation of IKBI (Indonesian Sustainable Financial Initiative) banks' action plans in promoting inclusive and sustainable financing regulation and increase the banks' exposure to green lending to SMEs, which is considered as one of the most challenging areas in sustainable financing. Moreover, this component is projected to support green economy initiatives at large which will lead to increased investment opportunities, access to capital, and reinforced cooperation through global market networks aligned with the Sustainable Development Goals (SDGs).



Indonesia Impact Fund – UNDP Indonesia and Mandiri Investment Management Joint Partnership to Prepare Investment in Indonesian High-Impact Startups



GIIN reported that between 2007-2017, impact investors including fund managers, family offices and impact-focused angel networks in Indonesia have cumulatively deployed USD 148.8 million across 58 projects

The impact investing market is a rapidly growing industry that offers diverse and viable opportunities for investors to advance social and environmental solutions through investments that also produce financial returns. According to the Global Impact Investing Network (GIIN), the global impact investing market is estimated at USD 502 billion. Being the largest economy in South-East Asia, Indonesia is recognized as an emerging market for impact investing in the region¹. GIIN reported that between 2007-2017, impact investors including fund managers, family offices and impact-focused angel networks in Indonesia have cumulatively deployed USD 148.8 million across 58 projects².

Indonesia Impact Fund (IIF) is the first ESG-compliant private impact fund, managed by Mandiri Investment Management, part of the fund management arm of Bank Mandiri Group, the largest integrated financial group in Indonesia. The fund backed by ABAC (APEC Business Advisory Council) Indonesia members and UNDP as a knowledge partner. The fund focuses on investing in early-stage start-ups that are aligned with United Nations' Sustainable Development Goals (SDGs). With growing impact investing trends in Indonesia, the IIF plays a crucial role in mobilizing investment and capital support towards start-ups related to the six goals of the SDGs. They are poverty alleviation



(SDG 1), affordable health care (SDG 3), high-quality and accessible education (SDG 4), increased economic participation for women (SDG 5), sustainable cities and affordable housing (SDG 11), as well as empowering climate-smart innovations (SDG 13).

Through the UN ASSIST Joint Programme, UNDP Indonesia acts as an advisor in Impact Measurement and Management (IMM) activities to ensure solid contribution to the SDGs, inclusivity of social entrepreneurs and accountability of investees and investors, robust pipeline development of impact ventures, and facilitating connections to impact investors. The vision of the Indonesia Impact Fund is to serve as a platform to increase awareness and support young Indonesians to contribute through the development of start-ups that focus on social and environmental issues. With an investment strategy focussed towards advancing 6 SDGs, IIF aims to not only bring financial profits but also create positive social and environmental impact in Indonesia. The IIF will also help the sectors where most beneficiaries are women and youth, and simultaneously promote the development of gender-lens investment in Indonesia.

The IIF was officially established in November 2021, after a MoU signing between UNDP and Mandiri Investment Management, signifying UNDP's wider partnership strategy in leveraging private sector collaboration. Last March, the first disbursement from IIF went to Cakap, a growing online educational tech platform.

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¹ World Bank, 2021

² Indonesia GIIN SEAL Report (Indonesia: An introduction to the Impact Investing Landscape)

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