

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

NEWSLETTER

2nd Edition



Indonesia's 1st SDG Bond
Allocation and Impact
Report Publication



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Capacity to Develop Child-Focused
Social Protection Programs



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through Impact

**Dear Readers,
welcome to our latest newsletter edition.**



VALERIE JULLIARD

UN Resident Coordinator in Indonesia

Since our first newsletter, globally, countries have been facing cascading crises, in energy, food and finance. As a consequence, global growth is expected to slump from 5.7 percent in 2021 to 2.9 percent in 2022, according to the World Bank. These set of challenges make it imperative for governments to reassess their financing strategy and policy priorities. The war in Ukraine has also caused monumental disruption, with 71 million people expected to fall into poverty, due to food and energy insecurity, according to a UNDP study. There is a growing funding shortfall to meet the Sustainable Development Goals (SDGs). Getting the financing right would be key to recouping some of the losses and putting us back on track.

Even before the global crisis, there was need for an estimated US\$ 3.7 trillion in annual financing for developing countries to achieve the SDGs. Before the pandemic hit, progress to achieve the SDGs was mixed and financing was already falling short. Innovative and sustainable financing instruments are one of the solutions to address to this monumental challenge. Indonesia, with support from the UN, continues to be at the forefront of finding innovative solutions to attain the SDGs. Indonesia's Sustainable Finance Roadmap sets a precedent that confirms its fiscal policies are led by forward-looking policymakers, who are committed to the 2030 Agenda.

The UN Joint Programme (JP) 'Accelerating SDGs Investment in Indonesia', or ASSIST is a great example of this collaborative spirit. Since its launch in 2021, the ASSIST Joint Programme has continuously supported the utilization of innovative financing instruments—including the development of thematic bonds at the national and subnational levels. In 2022, the JP continued its work of supporting the public and private sectors towards increased SDGs financing. The Participating United Nations Organizations (PUNOs) have combined their technical assistance and capacity building activities to achieve concrete results. In November 2022, Indonesia raised US\$ 210 million in the form of SDG Bonds. This is the second issuance of SDG Bonds, which followed the development of a thematic bond framework under the JP—in order to make the bonds attractive to investors with particular interests.

As you flip through the pages of this newsletter, you will find details on the accomplishments of this Joint Programme over the last six months, and its contribution to help Indonesia achieving as many of the SDGs as possible.

The clock is ticking towards 2030, and the world is waiting for us to act. All of us have a responsibility to come together and collaborate for a better world—a world that is inclusive and sustainable. And we need to massively scale up our financing efforts through collective action.

The UN is committed to working together with the Government of Indonesia to ensure that we produce a holistic financing strategy that guides national efforts to mobilize public and private resources. I hope our accomplishments will encourage us to work together and accelerate Indonesia's economic development by leaving no one behind.

**I hope you will enjoy this latest newsletter edition.
Thank you and happy reading.**

Indonesia's 1st SDG Bond Allocation and Impact Report Publication

Indonesia is a growing economic powerhouse in the Asia-Pacific region. Despite having experienced robust growth before the pandemic, the country persistently faces inequality and poverty. Achieving the SDGs requires enormous financial investment. To support the Government of Indonesia in this journey, UNDP Indonesia was the first UNDP Country Office to develop innovative sustainable debt instruments when it worked with the Indonesian Government to create the world's first sovereign Green Sukuk, issued in 2018.

In recent years, UNDP has worked with the Government of Indonesia to strengthen its financing framework for development, linking public finance to SDGs and including the principles of transparency and participation, and harnessing the country's growing private financial flows with new financing instruments to help meet growing development needs.

Through the ASSIST Joint Programme, UNDP provides technical support and expertise to the Government of Indonesia in the issuance of SDG Bond. The SDG Bond showcase a unique governance for the use of bond proceeds and also in establishing a comprehensive monitoring and reporting system for supported projects.

Indonesia's first SDG bond was issued in 2021. It raised EUR 500 million (US\$ 591 million at the time), and proved to be a significant step towards mobilizing new financial resources to bridge the financing gaps towards the country's development objectives. In addition, it has ensured the continuity of government programmes working towards achieving the SDGs.



The SDG bond provides an alternative source of financing for Indonesia to fast-track the achievement of the SDGs, particularly in light of the financing crunch since the pandemic.

The Bond facilitates the transfer of resources from global investors to public SDG-oriented projects in three areas:



Good Health and well-being (SDG 3),



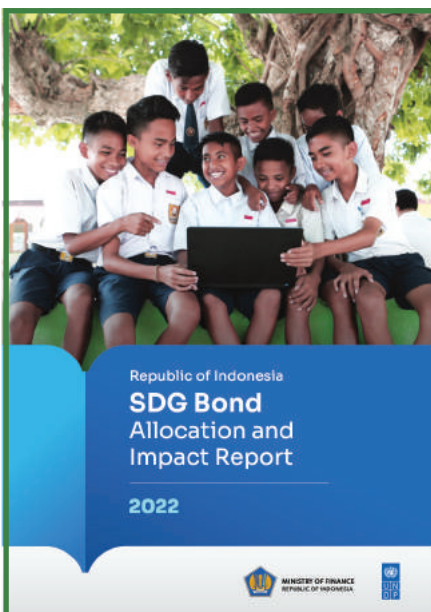
Quality Education (SDG 4), and



Industry, Innovation, and Infrastructure (SDG 9)

under four ministries, including the Ministry of Health, the Ministry of Religious Affairs, the Ministry of Education, Culture, Research, and Technology, and the Ministry of Communication and Informatics. Projects for free doses of vaccines, scholarship programmes and the installation of new 4G Base Transceiver Stations (BTS) benefited at least 41.4 million Indonesians in 34 provinces in education, health, and information and communication technologies.

The Government of Indonesia decided to create a further continuous impacts through the issuance of the second SDG Bond in 2022. Raising around USD 210 million from the domestic market, the proceeds will also be allocated to various eligible SDG-aligned projects.



USD 730 Million

raised through the SDG Bond issuances
(2021-2022)



Scholarships for 11.4 million elementary school students (including 28,442 students with special needs)



Complete basic vaccination for 30 million babies



Internet access in 2146 borderline frontier, outermost, and least developed regions in Indonesia

The 2022 Republic of Indonesia SDG Bond Allocation and Impact Report is accessible on <https://www.djppr.kemenkeu.go.id/governmentsecuritiesframework>

Building Subnational Government’s Capacity to Develop Child-Focused Social Protection Programmes

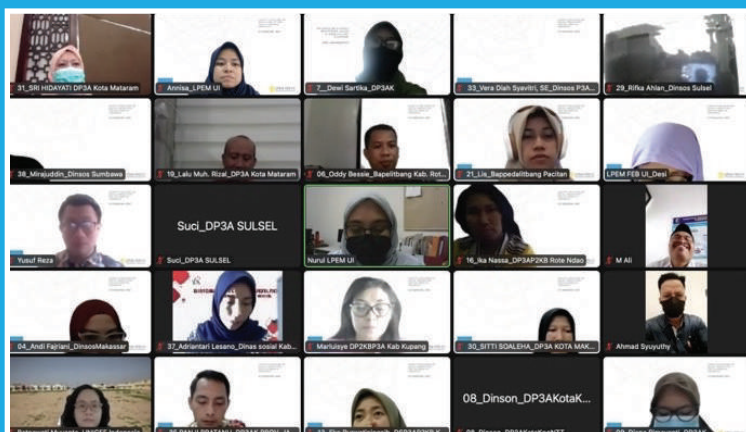
Indonesia’s decentralized system grants significant responsibility to subnational governments in delivering public services, including social protections that support the needs of children. To maximize the impact of this support on improving children’s welfare, it is essential to have a strong capacity for planning and budgeting to develop social protection programmes. Unfortunately, some subnational governments lack this capacity, which may reduce the potential impact of these programmes on children’s development.

From 6 to 8 September 2022, UNICEF, through the ASSIST Joint Programme, conducted a three-day training programme for subnational government officials to enhance their capacity to plan and allocate budgets for child-focused social protection programmes. The training was delivered in collaboration with the Institute for Economic and Social Research at University of Indonesia (LPEM FEB UI), a renowned policy think tank.

A total of 43 government officials from 4 provincial governments and 15 regency/city governments participated in the three-day training. The training covered various topics, such as the regulatory and institutional framework of social protection delivery in Indonesia, child development indicators, as well as the theory, principles, and best practices for programme planning and budgeting. The trainers included not only LPEM FEB UI experts but also subnational government officials from Aceh and Papua Provinces, who shared their own experience in developing social protection programmes for children. Evaluation tests were conducted before and after the training, indicating that the participants’ average score increased by 32% after completing the training.

This training was the initial activity in a series of capacity building efforts that UNICEF plans to conduct under the ASSIST Joint Programme. Going forward, UNICEF will continue to provide assistance to both national and subnational governments in enhancing the public financial management system to achieve greater transparency, accountability, and delivery of programmes aimed at achieving the SDGs, particularly on ensuring the welfare and protection of children in Indonesia.

Snapshots of Participants in Online Training on Planning and Budgeting for Child-Focused Social Protection



SDGs-Linked Loan: Addressing the Financing Gaps and Sustainable Shrimp Farming Practices in Indonesia



Despite shrimp farming's huge market potential and contributions to the Government of Indonesia's strong commitment to achieving the SDGs, challenges remain. The main obstacles to the Indonesian shrimp farming industry are unsustainable farming practices and insufficient access to finance. Most traditional shrimp farmers do not know or apply the proper aquaculture Standard Operating Procedure (SOP). This is partly due to lack of access to finance to implement best aquaculture practices. Thus, UNEP and UNIDO support sustainable shrimp farming businesses on both supply and demand sides.

To encourage aquaculture farmers to implement shrimp farming best practices that support SDGs, UNIDO introduced the IndoGAP SOP. The proper implementation of the IndoGAP SOP will enable shrimp farmers to improve their farming productivity while ensuring sustainable practices are followed, as reflected in the SDGs. Improvement in water management supports clean water and sanitation (SDG 6) and better environmental quality for life below water (SDG 14), and sustainable practices can also create more opportunities for SME farmers to innovate for more sustainable industry and infrastructure (SDG 9).

On May 12, 2022, UNIDO held a hybrid awareness-raising event about IndoGAP SOP and certification for 50 shrimp farmers and local government officials from the Department of Marine and Fishery and the Department of Cooperatives and SMEs in Kidang Village, Lombok, West Nusa Tenggara. This event was part of UNIDO's technical assistance aiming at enhancing the business performance of shrimp farming SMEs and its sustainability. The capacity building will enable the shrimp farmers to meet the IndoGAP SOP.

At the same time, UNEP is actively promoting the potential of shrimp farming to commercial banks. Despite its potential, the shrimp farming business has difficulties securing financing. The fishery sector's non-performing loans stand at 2.1%, significantly lower than the average non-performing portion of the MSME loan portfolio of 3.7%. However, the asymmetric information about the aquaculture sector's potential, lack of collateral, and the higher cost of serving smaller transactions specifically lead to commercial banks typically viewing SMEs as risky and challenging. To effectively help SMEs, banks must change how they do business and manage risks.

The SDGs-linked loan project aims to assist commercial banks in designing a well-balanced loan product with a sound risk management framework. The maiden edition of the Indonesia Green Taxonomy and the Indonesian Financial Services Authority (*Otoritas Jasa Keuangan*) that identified shrimp farming under the green category has continuously pressured the financial services sector to publish its green portfolios, presenting a significant upside potential for the shrimp farming subsector. UNEP will support this effort by creating a Green Catalogue that will enable commercial banks in Indonesia to gain a deeper understanding of sustainable shrimp farming practices and later develop suitable products and services. UNEP and UNIDO also engage several potential off-takers and aquaculture start-ups/aqua-tech companies as a non-financial de-risking initiative to assure commercial banks of the standby buyers and therefore sources of repayment.

Through this comprehensive approach, UNIDO and UNEP are hopeful that the project will open significant collaborative opportunities to promote sustainable shrimp farming practices and close the existing financing gap.





UNIDO's Industrial Upgrading and Modernization in Indonesia: Fostering Creativity, Innovation and Sustainable Practices among MSMEs

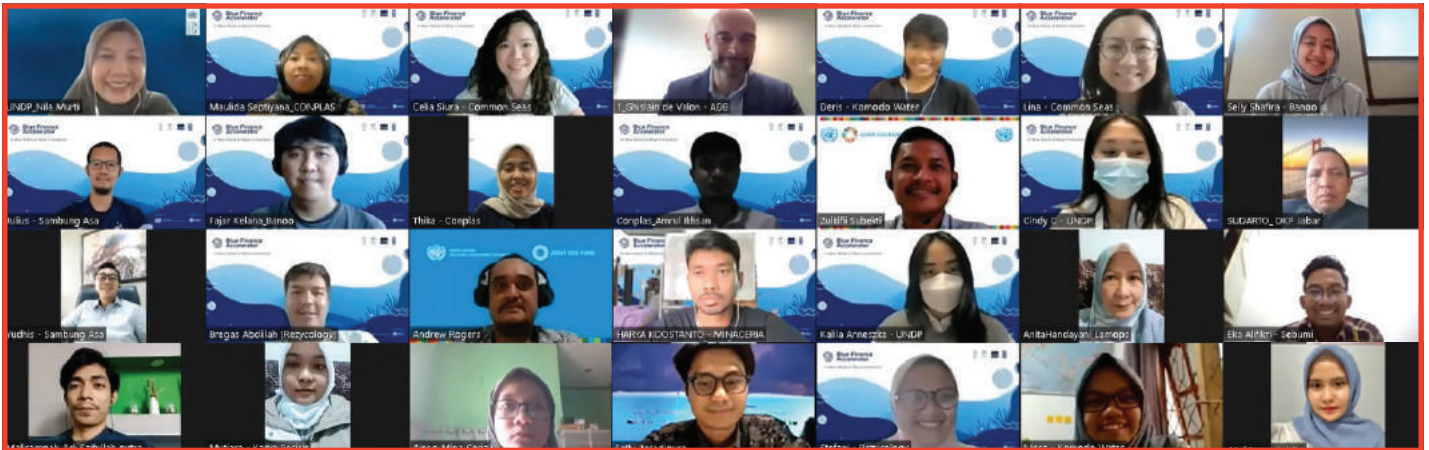


Micro-, small, and medium-sized enterprises (MSMEs) play a key role in achieving the 2030 Agenda for Sustainable Development and the SDGs, as they help reduce levels of poverty through job creation and inclusive economic growth. In Indonesia, MSMEs have been recognized as a priority economic development target, as micro enterprises dominate the country's economy accounting for 99% of all businesses. At the same time, despite their important contribution to employment generation, economic growth stemming from MSMEs is currently impeded by several challenges.

To foster MSMEs' resilience and competitiveness, UNIDO's technical assistance in industrial upgrading and modernization of enterprises active in the traditional and originative industries has been rolled out in four important economic sectors in Lombok, West Nusa Tenggara in agri-food, aquaculture, textile and the jewelry production sectors. The project helped establish a design lab to equip MSMEs with hands-on and needs-driven training, specialized mentoring and ad-hoc consultations with experts in relevant fields, thereby providing access to knowledge and skills that enable project beneficiaries to deal with entrepreneurial challenges in an efficient manner. In the long run, the design lab is expected to produce a sector-wide impact in terms of fostering creativity, innovation, competitive and modern product design, entrepreneurial know-how and sustainable practices. As a result, MSMEs will reinforce their competitiveness and improve market outreach, positioning their products as inputs for global value chains. Ultimately, it will accelerate investment and unlock opportunities to gain access to sustainable finance, such as SDG-linked loans.

The pilot upgrading initiative also introduces sustainable practices and concepts for each sector, including the implementation of low-input agriculture and organic farming for agri-food and aquaculture sectors, thereby contributing to enhanced food safety and promoting the adoption of environmentally friendly farming activities. Similarly, in the textile and jewelry production sectors, the pilot group of local MSMEs learned about the multifaceted benefits of using locally sourced raw materials, natural fibers, and alternative eco-friendly materials, which also served as inspiration for a new collection of fashion accessories and home décor.

The establishment of linkages with relevant markets is one of the project's main priorities. Organic farming consortium / forum encompassing local agri-food producers, policy makers, potential markets for tourism and culinary businesses is initiated to ensure the promotion of products in line with market demand and customer expectations. In the textile and jewelry sectors, the project supports beneficiary MSMEs through introducing their product prototypes and conducting preliminary market positioning. As a result of these supportive activities, a new collection of home décor and accessories developed based on sustainable production concepts and centuries-old weaving traditions on Lombok was showcased in the Lombok Sumbawa Tenun Festival fashion show and exhibition. This sustainability-oriented practical experience and know-how are expected to further build the momentum towards establishing the local production of authentic, sustainable, and market-oriented products that meet international quality requirements and customer expectations worldwide, while contributing to economic growth and well-being of the local communities.



Blue Finance Accelerator: Accelerating SDGs-aligned Investment in Indonesia's Blue Economy



**Blue Finance
Accelerator**

A New Wave of Blue Innovation

Indonesia is the world's largest archipelagic state, and the people, economy, and environment can significantly benefit from a sustainable ocean-based economy. The country has seen opportunities for growth in sustainable tourism, food, wastewater treatment, integrated solid waste management, and sustainable coastal infrastructure sectors. However, securing these opportunities requires significant investment above what governments and donors can provide on their own.

To support blue economy development, UNDP kicked off the Blue Finance Accelerator (BFA) program on Aug. 23, 2022 with the Asian Development Bank (ADB) and the Coordinating Ministry of Maritime Affairs and Investment. Under ASSIST JP, UNDP and sister agency, UNIDO, will expand the SMEs pipeline for financing and strengthen their technical and business capacity. The implementation of the ventures accelerator will be supported by Instellar as the accelerator service provider.

This Accelerator utilizes UNDP's Impact Venture Accelerators concept which combines business acceleration with robust and dedicated efforts on SDG impact alignment and impact measurement and management (IMM). It is hoped that the participating start-ups and SMEs can build their capacity in business scalability and impact as well as receive access to financing to support the local and central governments in generating a pipeline of blue and bankable projects to contribute to the development of sustainable oceans and resilient coastal communities in Indonesia.

The accelerator focuses on areas including but not limited to:

1. Sustainable aquaculture, fisheries, and marine conservation,
2. Building resilience in coastal communities,
3. Marine debris and pollution management (plastic reduction), and
4. Clean maritime technologies.

Central to the implementation of the accelerator programme is the incorporation of women's economic empowerment, which is key to uplifting livelihoods in coastal communities. The large number of women entrepreneurs in start-ups and SMEs shows that women have an active role in economic activities. They need improved access to capacity building, technical assistance, and financing to optimize their contribution to economic and social development.

The accelerator for ventures will accelerate two cohorts of start-ups and/or SMEs by providing them with business acceleration, mentorship with relevant sector experts, and training on impact measurement and management practices. Furthermore, through knowledge sharing and joint policy dialogues, the programme will also link them with government officials, who will receive training as part of the ADB-ACGF government accelerator/training programme for government officials. Likewise, the start-ups and SMEs will participate in a Demo Day where they are expected to pitch to public peers, the government, relevant investors, and the media. The BFA programme is expected to be concluded by end of June 2023.



UNDP's Impact Measurement and Management Training: Helping Businesses to Sharpen their Goals through Impact



UNDP Indonesia, under ASSIST JP partnered with Sustainable Finance Hub, conducted a two-part training on Impact Measurement and Management (IMM)—a system of practice to measure and manage impact progress towards sustainable development—for various United Nations agencies and private sector businesses in October 2022.

The first training session attended by UN RCO, UNDP, UNEP, UNIDO, and UNICEF—introduced knowledge and frameworks of IMM related to the financing instruments under the programme, such as thematic bonds, SDG-linked loans, and impact funds. The multisectoral and multifaceted nature of the financing instruments developed under the ASSIST JP necessitates the need to develop and improve capacity to measure expected impacts on all intended beneficiaries and stakeholders as well as to undertake efficient project progress monitoring. At the end of the training session, the participating UN agencies developed a basic understanding of IMM such as measuring potential and projected impacts of their activities and were encouraged to refer to the framework in their decision making.

IMM is an important component for private sector partners in communicating development related impact goals and contribution to the SDGs. It enables businesses to concretely set goals related to impact, define strategies to achieve impact contribution and

communicating impacts to relevant stakeholders, beneficiaries and investors. In this context, the second training session was conducted to build IMM capacities for startup companies and mainstream SDG-alignment to their ongoing business activities. This two-day training, conducted in-person, invited a portfolio of startups associated with the Indonesia Impact Fund (IIF) and Mandiri Capital Indonesia's Balancesheet Fund as well as alumni startups from the UNDP Indonesia network.

The training provided understanding of basic IMM concepts and tools, improved understanding of SDGs among the start-ups, supported creating and mainstreaming impact into each of the start-ups' individual businesses, and helped develop impact plans for each of the them. The start-ups who participated the training said the IMM tools helped them to sharpen their immediate business goals and impact and improved their awareness of SDG benchmarking and global standards.

“The IMM Training helped us to be able to articulate our impact, tying it up step by step to our activities. We also got to know UNDP better as a resource at the beginning of this journey and look further to improve together and bring more positive impact to the society.



Tommy Tjiptadjaja
Co-Founder and CEO of Greenhope,
a green-technology startup developing and producing bio-resins to address plastic overconsumption and combat waste pollution

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