Monthly Update - September 2021

Students of SD Negeri 3 Karang Baru, East Lombok, are cleaning their schoolyard
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JOINT SDG FUND FOR ADAPTIVE SOCIAL PROTECTION (ASP)

INTRODUCTION

This monthly update aims to provide brief progress and result updates of the implementation of the Joint SDG Fund Adaptive Social Protection (ASP) to donor governments. Under the leadership of the UN Resident Coordinator, UN in Indonesia is managing Joint Programmes (JPs) on social protection, namely the abovementioned Joint SDG Fund and the COVID-19 MPTF. Social protection is the core protection scheme for both programmes given its proven ability as an effective policy strategy to support populations in the aftershock of a natural disaster or crises. Its purpose is to prevent affected communities from falling deeper into poverty and facing greater poverty-associated vulnerabilities. As the COVID-19 MPTF closed in March 2021, this edition will highlight 2 program activities under the Joint SDG Fund.

SUSTAINABLE DEVELOPMENT GOALS TARGET

INDOMOD TRAINING FOR MEMBERS OF BKF, A COLLABORATIVE PROJECT BETWEEN UNICEF, MOF AND SASPRI

On the 27th of September 2021, the Southern African Social Policy Research Insights (SASPRI) launched the first session of the INDOMOD training course, for members of the Fiscal Agency (BKF), BAPPENAS, Statistics Agency (BPS), UNICEF, Indonesia to learn about tax-benefits simulation for the Indonesian tax landscape. INDOMOD is a tax-benefit microsimulation model that has been tailored to the Indonesian tax administrative framework, by SASPRI, as part of a collaborative work between UNICEF Indonesia, the Ministry of Finance and SASPRI. The workshops will run from September to October 2021. The Training Model uses EUROMOD software (https://www.euromod.ac.uk/about) and it simulates the primary tax-benefits in Indonesia including personal income tax and value added tax. This software has been used for tax modeling purposes in many countries globally, including South Africa, Ireland and Germany.

The INDOMOD project is coordinated by the Ministry of Finance (MoF), which has also set up a Working Group comprising of representative government departments. UNICEF Indonesia and SASPRI, (a not-for-profit organisation in the United Kingdom) entered into an agreement to support the Government of Indonesia in building and updating INDOMOD.

INDOMOD Version 2.0 will be introduced to participants with a view to promoting its use the Government for evidence-based policy making. As well as providing an overview of the model, the workshop will include several exercises that involve using the model. Attendees will acquire an appreciation of how to navigate and interpret the INDOMOD user interface; how to run INDOMOD; how to build and implement a basic policy reform; and how to interpret the output using Statistics Presenter.

UNDP LED "INNOVATIVE FINANCE FOR SOCIAL PROTECTION FOR COVID-19 RESPONSE" REPORT SUBMITTED TO BAPPENAS

Under the Joint SDG Fund, Output 2 covers the Setup of Finance, Policy and Procedures relating to Adaptive Social Protection implementation. The four sub-outputs include:

- Designing and development of targeting mechanisms and vulnerability profiles
- Costing of ASP (Micro-simulation & fiscal space analysis), Contingency risk financing mechanisms, Gender responsive fiscal analysis
- Producing the definition of adequate regulation for SP
- Innovative financing with allocations to incorporate Gender Equality principles

UNDP LED "INNOVATIVE FINANCE FOR SOCIAL PROTECTION FOR COVID-19 RESPONSE" REPORT SUBMITTED TO BAPPENAS

Under the sub-output D, a study led by UNDP in collaboration with the Institute of Social and Economic Research from the University of Indonesia (*Lembaga for Economic and Social Research or LPEM UI*) was produced on Innovative Financing options for Social Protection in Indonesia.

The report is titled "Innovative Finance for Social Protection for the COVID-19 Response". This report provides analysis on COVID-19 and the increase in demand for social protection in Indonesia, the landscape of current national social protection programmes, international best practices in social protection, potential sources of innovative funds, and the proposed sources of innovative finance for social protection in Indonesia. The report is an essential knowledge piece for advocacy activities relating to innovative financing for social protection.

In the report, the University of Indonesia laid out eight general models for Innovative Financing:

- Religious-based Financing i.e. Islamic financing (BAZNAS), Christian Foundation, Buddhist Network
- Community initiatives from crowd funding (Kita Bisa.com)
- Private Sector i.e. PERTAMINA, Go-Pay, BUKALAPAK
- Social Impact Bonds
- Social Bonds
- Sovereign Wealth Fund
- Thematic bonds
- Deductible Tax for Charity

In the context of Indonesia, the report proposes four potential instruments:

Alternative Instruments	Regulations	Responsible Institutions	Source of Funds
Social Impact Bonds (SIB)	No regulatory framework	Bank Indonesia and financial Services Authority (OJK)	Private sectors, investor, philanthropists
Social Bonds	Financial Services Authority Regulation No. 51/ POJK03/2017 on Application of Sustainable Finance to Financial Services Institution, Issuer and Publicly Listed Companies	Ministry of Finance, Financial Services Authority (OJK)	Investor
Sovereign Wealth Fund (SWF)	Omnibus Law on job creation	Ministry of Finance	Central bank reserves, SEOs, fiscal surpluses, or private sectors
Deductible Tax for Charity	Law of The Republic of Indonesia Number 36 of 2008 Concerning Fourth Amendement of Law Number 7 of 1983 Concerning Income Tax and PMK-90 2020	Coordination between BAZNAS Indonesia Ministry of Finance	Taxpayers

The study identifies thematic bonds, such as social bonds or SDG bonds, as well as social impact bonds (SIB) to be the types of instruments which can be swiftly adapted and have more pronounced direct impacts to social protection schemes than sovereign wealth funds (SWF). The instruments are less restrictive and have a more mature regulatory framework in Indonesia as it has similarities with conventional bonds. Compared to the SIB and social bonds, SWF might bring relatively longer real impact to the economy and people due to its more stable source of funds and special focus on longer-term projects. SWF usage as alternative financing for social programs in Indonesia may not be ready for implementation any time soon. Nevertheless, the setup of SWF remains beneficial as it aims to sustain long-term and sustainable progresses in the economy.

INTER-MINISTERIAL CONSULTATION MEETING ON THE DEVELOPMENT OF GUIDELINES FOR FACILITATING CLIMATE VILLAGES AND DISASTER RESPONSIVE VILLAGES

As part of UNICEF's support to the Ministry of Villages, Disadvantaged Regions and Transmigration (MoV) on the development of Guidelines for Facilitating Climate Villages and Disaster Responsive Villages, both UNICEF and MoV organized three inter-ministerial coordination meetings throughout September – October 2021. These inter-ministerial coordination meetings aim to receive input from the relevant ministries on the content of both guidelines. The guidelines serve as a reference document for the village administration to plan their action plan to achieve climate villages and disaster responsive villages. These two initiatives are part of the program priority of the Ministry in contribution to the Village Sustainable Development Goals (SDGs). Village SDGs are represent the localization of SDGs that was adopted from national SDGs and was formalized in Presidential Regulation Number 59 of 2017. Village SDGs can contribute up to 74% of the national SDG achievements as 91% of Indonesia's territory is made up of villages and 11 national SDGs relate to villages. Amongst Village SDGs, there are at least 18 targets of development. The Guidelines of Facilitating Climate Villages and Disaster Responsive Villages specifically will contribute to SDGs 11 (sustainable cities), 12 (environment based consumption and production), 13 (climate action), 14 (Life below water), 15 (life on land) and18 (Dynamic Village Institutions and Adaptive Village Culture).

On this inter-ministerial consultation meeting,there are at least eight ministries/agencies attending the meetings: the Ministry of Planning (BAPPENAS), Ministry of Environment and Forestry, National Agency for Disaster Management, Ministry of Home Affairs, Ministry of Public Works, Ministry of Tourism and Creative Industry, Ministry of Agriculture, Ministry of Energy and Minerals. The ministries/agencies appreciated the initiative of MoV on the development of both guidelines including reiterating the importance of village action for climate change adaptation and disaster management. More importantly, the initiative on climate villages and disaster responsive villages are fully aligned and contributing to the ongoing programs of climate villages and disaster management villages managed by the National Agency for Disaster Management and the Ministry of Environment and Forestry.