A Message from the UN Resident Coordinator in Indonesia

Dear Readers,

Welcome to the Third Edition of our Newsletter.

Indonesia continues its upward trajectory in achieving financing for the SDGs despite the ongoing global volatility. The country is a pioneer in leveraging both new and proven innovative financing instruments to bridge the financing gap necessary to meet its development ambitions. While progress may not have been smooth over the past couple of years, notable accomplishments have been made under the UN Joint Programme Accelerating SDGs Investments in Indonesia (ASSIST JP) in mobilizing more than US$ 1.2 billion for the SDGs. However, the growing funding shortfall, estimated at US$ 1 trillion for Indonesia, demands more efforts.

Closing the SDG financing gap is a shared responsibility involving not only the government—but also the private sector, civil society, and development partners. For the United Nations in Indonesia, this is a call to action. Through the ASSIST JP, the UN offers a multi-pronged approach to work collaboratively and strategically to build a more sustainable and inclusive future for all.

Since its launch in 2021, the ASSIST JP, with the combined knowledge and expertise of the Participating United Nations Organizations (PUNOs) has continuously supported Indonesia in achieving the SDGs. Domestic institutional strengthening, private sector engagement, and implementation of financing instruments are clear impact of ASSIST JP’s interventions. As we enter the mid-way stage of the JP’s implementation, the JP continues to expand its reach across the country, fostering partnerships, and collaborations with relevant stakeholders. As you flip through this newsletter, you will find highlights of the JP’s accomplishments since the start of this year.

We understand that our work is far from over as we move closer to 2030. At the halfway stage, close to a third of Indonesia’s SDG indicators require more attention. There may be more challenges on the road ahead, but we remain steadfast and unwavering in our commitment to help Indonesia achieve as many of the SDG goals as possible and help build a just and inclusive future. Together, we shall leave no one behind.

Valerie Julliand
UN Resident Coordinator in Indonesia

ASSIST JP Donor and Stakeholder Consultation Event

The ASSIST Joint Programme conducted its first Donor and Stakeholder Consultation Event in Jakarta, 21 June 2023. The event showcased the JP’s achievements to the donor countries of the Joint SDG Fund, government partners, international organizations, and the private sector. Other than presenting the activities of the project, the event reaffirmed UN’s commitment to supporting Indonesia’s SDG targets. Since 2021, the JP has worked closely with the Government of Indonesia and the private sector through carefully considered initiatives to leverage finance for SDGs in Indonesia.

Stressing on the achievements of the JP, in her opening remarks, UN Resident Coordinator in Indonesia Valerie Julliand said: “With ASSIST, you get real return on your investment […] for every US$ 1 spent, the Joint Programme has leveraged a whopping US$ 240 dollars.” Additionally, the event provided a platform to highlight milestones reached under the JP. The Indonesia SDG Bond Allocation and Impact Report was jointly launched by UNDP and the Ministry of Finance. To strengthen the capacity of MSMEs, an e-Learning Platform and sustainable collective brand for MSMEs was pre-launched by UNIDO along with the Ministry of Cooperatives and SMEs. Demonstrating the Programme’s ever-growing partnerships, an MOU signing between UNDP and Terregra on a planned green bond issuance was conducted, as well as the handover of commitment letters from Bank Aladin and Bank Jago to UNEP on the development of sustainable finance frameworks. UNICEF highlighted its activities in advocating and assisting the MOU signing between Baitul Mal Aceh (BMA), the National Population and Family Planning Board (BKKBN), and the Social Affairs Office on the integration of beneficiary data to enhance the impact of social protection programmes and distribution of Islamic almsgiving and charity in Aceh.

The event concluded with two roundtable discussions represented by panelists from the public, private, and social sectors. These discussions focused on the current state of SDG investments in Indonesia, success stories, key challenges, and the way ahead for supporting financing for sustainable development ensuring that no one is left behind.

Click the link or scan the QR code to access the full article:

http://tiny.co/JPDonorEvent

ASSIST JP Snapshot 2021 - NOW

Over US$ 1.3 B raised and mobilized through thematic debt instruments and impact funds, including the US$ 150 million raised through 2023 Blue Bond

Themes: Blue economy and women empowerment.

Through Impact Venture Accelerators have: 30+ Developed 35+ Supported 85+ Trained

Modules Ventures Individuals

Conducted Institutional Capacity Building for: 270+ Government and Corporate Representatives


MSMEs Development: 50+ SMEs Trained 230+ Individuals Trained

Indonesia Issues its First Sovereign Blue Bond

Indonesia continues to demonstrate its commitment toward sustainability through issuance of the first-of-its-kind Blue Bond in the Japanese debt capital market, raising JPY 20.7 billion (US$ 150 million). This marks the world’s first publicly offered sovereign Blue Bond in alignment with the International Capital Market Association (ICMA) Principles. Proceeds from this bond is aimed at providing the much-needed boost for Indonesia’s blue economy, including coastal protection, sustainable management of fisheries and aquaculture, marine biodiversity conservation, and mangrove rehabilitation.

The issuance of Indonesia’s Blue Bonds is pivotal for bridging the country’s SDGs financing gap as it would enable the acceleration of Indonesia’s blue economy in a better and sustainable way. The Bond adds to Indonesia’s portfolio of sovereign thematic bonds, following the annual issuances of Green Sukuk and SDG Bonds since 2018 and 2021 respectively.

Assessment on Indonesia’s Municipal Bond Landscape Launch and Dissemination

Limited fiscal capacity has often prompted subnational governments in Indonesia to explore alternative financing instruments to ensure the delivery of development priorities at the subnational level. These alternative instruments are key to providing essential public goods and services. Among many financing instruments, municipal bonds and municipal sukuk have emerged as viable options. In Indonesia, the authority to issue municipal bonds and municipal sukuk was first granted nearly two decades ago; however, the country has yet to see any issuance.

The Assessment on Indonesia’s Municipal Bond Landscape is a joint effort between UNDP and UNICEF to uncover factors that hinder the launch of such instruments and provide insights into issues surrounding Indonesia’s municipal bond market. The study highlighted regulatory changes, political dynamics, perceived risks, as well as high cost of funds as contributing inhibiting factors. The study identified six provinces that could issue municipal bonds and/or sukuk, based on fiscal capacity, institutional capacity, as well as environmental and socio-economic indicators. West Java and East Java were used as examples for an in-depth case study analysis.

Significant information and capacity asymmetry among subnational governments exists, the study has found. Consequently, several provinces would require stronger support to develop fiscal and institutional capacity and bridge the capacity gap. With such support, each province could have the capability in accessing these alternative financing options.

The results of the study were disseminated on the 8th of May in Jakarta. Over 100 participants were in attendance, representing the Coordinating Ministry of Economic Affairs, the Ministry of Finance, the Ministry of Home Affairs, Bappenas, and OJK, as well as provincial government representatives from West Java, East Java, DKI Jakarta, Yogyakarta, and Riau.

Moving forward, the assessment will serve as a reference to identify potential pilot municipal bond/sukuk issuers and to develop further assistance required to strengthen the enabling environment.

Trainings on Green, Social, and Sustainability Bonds

The impressive growth of Green, Social, and Sustainability (GSS) Bonds in global capital markets over the past few years indicates that investors are increasingly opting for sustainable-themed debt instruments. However, this trend is yet to be maximized at the domestic and corporate levels in Indonesia. Rooted in the lack of standardization and the underdeveloped domestic capital market, GSS Bond growth may become a lost opportunity.

In May and June 2023, UNDP conducted a series of workshops on GSS Bonds in collaboration with the Indonesia Financial Services Authority (OJK), the Indonesia Stock Exchange (IDX), and the Asian Development Bank (ADB). Targeted toward financial institutions, State-Owned Enterprises (SOEs) and corporates, the workshops are centered around increasing participant’s understanding on key concepts of GSS Bonds and the practical steps required to issue them. By referencing global best practices and standards, regulations, as well as highlighting case studies, participants were presented with a holistic view of GSS Bonds issuance by leading market practitioners.

The workshop sessions were delivered by representatives of capital market regulators, associations, stakeholders, and experts, as well as development banks and development partners, and previous Green Bond issuers. Over 200 participants attended the three workshops in this series.

In addition to capacity building, these workshops also help establish the JPs’ commitment in supporting Indonesia’s SDGs achievement by encouraging multi-stakeholder participation in mobilizing finance.

Training on Innovative Financing for Regional Development with Municipal Bonds

As a follow-up to the Assessment on Indonesia’s Municipal Bond Landscape, UNICEF under the ASSIST JP, with the support of the Ministry of Finance and LPEM University of Indonesia, organized a training on Innovative Financing for Regional Development with Municipal Bonds. The training aimed to disseminate the key findings of the study in more detail to governments and non-government partners, helping to improve participants’ understanding of the role of municipal bonds as an alternative for development financing. In addition, the training helped to improve participants’ understanding of how to identify projects that can be financed with municipal bonds and are in line with sustainable development goals. The training facilitated discussion among participants on the challenges of issuing municipal bonds and solutions to overcome them. The training was conducted online on 16-17 May 2023, with a total of 109 active participants from both government and non-government sectors such as Ministries, Provincial Governments, Banks, Academia, PT SM, BPKH, and other organizations.
Government spending on children is an essential investment in a nation’s human capital, a factor of production that generates output and drives economic growth. In addition, data shows that investing in children, especially young children at risk, is one of the most productive ways to invest in economic development. Better health outcomes, lower crime rates, lower poverty rates, increased productivity, and societal well-being more than offset current costs (Heckman, 2012; Attanasio et al., 20-22; Campbell et al., 2014; Doyle et al., 2009; Currie and Almond, 2011). Thus, failure to take advantage of this opportunity not only has immediate consequences, but also long-term consequences in the form of reduced future welfare.

Under the ASSIST JP, UNICEF Indonesia, in collaboration with the Ministry of Finance, initiated the Child Budget Analysis (CBA) as an effort to resolve the Public Financial Management (PFM) issue. UNICEF and the Ministry of Finance conducted the CBA in Indonesia in collaboration with the Institute of Economic and Social Research at the University of Indonesia (LPEM UI). The CBA seeks to inform policymakers in Indonesia on their child-related public policy choices and their estimated impact on the well-being of children by revealing the precise estimated proportion of the budget that is allocated to children. As a follow-up to the CBA, UNICEF, MoF and LPEM UI successfully organized a dissemination event on the main findings of the study on 25 May 2023 at the BKF building. The event was also to encourage participants to discuss the importance and challenges of implementing child budget tagging, as well as explore possible solutions and cooperation to address them. The dissemination event was attended by 157 participants from ministries, President’s Staff Office, KPAI, TNP2K, Pertamina, Perbanas Institute, Komunita and other organizations.

**Sustainable Finance Frameworks Development: Navigating Sustainable Journey through Sustainable Finance Frameworks**

Environmental, Social, and Governance (ESG) has taken the front seat in finance leaders’ decision-making with the increased interest in sustainability and climate change mitigation efforts globally. A survey published by Accounting for Sustainability (A4S) in October 2022 reflected the dilemma faced by global finance leaders in integrating ESG into their decision-making process. Despite that the majority of financial leaders acknowledge the importance of ESG for their businesses, they believe they do not have adequate capacity to implement it.

While promoting the concept of SDG-linked loans to Indonesian banks, the ASSIST JP team found that the interest and intention of Indonesian finance leaders in incorporating ESG elements into their organization’s operation and productivity are not aligned with their current capabilities. Simply put, the banks are lacking knowledge and guidance in navigating their sustainability journey. Therefore, UNEP through the ASSIST JP, offers support to banks in Indonesia to develop sustainable finance products and services based on their market segments and priorities, enhancing the sustainability aspects of their operations and growth.

Bank Aladin Syariah and Bank Jago have expressed their commitments to collaborate with UNEP in co-developing Sustainable Finance Frameworks and presented commitment letters to UNEP as the foundation of the collaboration.

Once the SF Frameworks are developed, the banks may tap into the pipeline project prepared by UNIDO to start building their sustainable finance portfolio. Concurrently, UNEP will keep inviting other Indonesian banks to join this initiative and, together, build a more sustainable economic environment in Indonesia.

**Demand-driven Bookkeeping Workshop to Enhance MSMEs’ Bankability to Unlock Access to Finance**

Micro, Small and Medium Enterprises (MSMEs) play a pivotal role in driving Indonesian economic growth in which micro enterprises make up to 98% of the total businesses and employ 96.9% of the total workforce in the country, according to the 2019 data from the Ministry of Cooperatives and SMEs. MSMEs contribute 15.6% of Indonesia’s non-oil exports as well as 60.3% of national GDP showing that MSMEs serve as a strategic driver of the national economy. Despite the essential contribution of MSMEs to economic growth, many of them still encounter long-standing challenges in accessing finance, encompassing lack of financial skills and knowledge, as well as limited availability of accurate and transparent financial information to support their loan applications. Consequently, inadequately organized financial records of MSMEs make it challenging for banks to assess their readiness to apply for a loan accurately. Associated challenges were identified in the diagnostic study findings conducted by UNIDO on MSMEs in Lombok, West Nusa Tenggara, highlighting a significant inefficiency of bookkeeping practices, leading to difficulties for MSMEs in accessing loans from financial institutions.

To address this issue and to equip MSMEs with essential financial management tools, UNIDO and UNEP joined forces to execute a collaborative initiative to overcome these barriers by conducting a workshop on business bookkeeping and an information session on SDGs-linked Loans for 17 MSME leaders in four sectors (Agri-food, Aquaculture, Textile and Jewellery) in Lombok, West Nusa Tenggara on 16-17 May 2023. The participants were selected based on their influential roles within MSME communities and networks, enabling trickle down knowledge distribution within their respective sectors. The workshop highlighted the importance of proper need-driven bookkeeping format formulated by integrating the demands and practical inputs on the contextual situation of MSMEs to overcome a root cause of their limitations. Hence, it is expected to assist MSMEs in maintaining accurate records of their financial transactions, including income, expenses, assets, and liabilities. These records provide crucial insights into the financial health of a business, enabling entrepreneurs to make informed decisions, plan production, and seek financing opportunities.
Blue Finance Accelerator Demo Day

The blue economy is one of the most viable sectors in Indonesia, with large-scale opportunities and great potential to drive both economic growth and development. Recovering from COVID-19, the Government of Indonesia has made significant efforts to build back better, including in the blue sector – from the development of the Green Recovery Roadmap to the Blue Financing Strategy and the issuances of thematic innovative financing mechanisms such as Green Sukuk, SDG Bond, and Blue Bond.

In collaboration with the Asian Development Bank (ADB), the Coordinating Ministry of Maritime and Investment Affairs as well as Instellar as the implementing partner, UNDP together with UNIDO through the ASSIST JP,kick-started the Blue Finance Accelerator in February 2023. The programme set out to build the business and impact measurement capacity of 12 SMEs and Startups focusing on the blue sector, including sustainable aquaculture, fisheries, marine debris waste management (plastic pollution reduction) and climate change mitigation/adaptation. The programme ran from February to June 2023, closing with the Road to BFA Demo Day Bootcamp: Pitching Workshop and Alumni Sharing Session as well as the Blue Finance Accelerator Demo Day. The Demo Day event saw the participants pitch and network to a wide range of audiences including investors, ecosystem builders, partners, media, government representatives and the wider public. There were 225 Demo Day Attendees, 46+ investors in attendance and over 140 potential collaboration and investment identified for follow up.

She Disrupts Indonesia 2023 Demo Day

Indonesia has one of the largest MSMEs sectors, and women represent an important aspect of this sector. Women entrepreneurs and business-owners play a key role in contributing towards economic and social transformation, as their businesses may focus beyond generating profits and towards improving livelihoods. However, only 20% of impact investments were directed to women-led businesses in 2020.

Early this year, through the ASSIST JP, UNDP co-developed the She Disrupts Indonesia 2023 venture competition and pre-acceleration programme focusing on business scalability, impact, tech, gender-lens and innovation for women-led businesses and/or businesses with women beneficiaries. This programme was launched by Creatella Impact, Sasakawa Peace Foundation, Moonshot Ventures and co-developed by UN Women, Monks Hill Ventures and UNDP. The online Demo Day was conducted on 24 March 2023, where 26 startups pitched to an audience of 100 attendees from the ecosystem including investors, funders, government, mentors and other private sector organizations.

Business Development Mentoring: Unlocking Investment Opportunities for Entrepreneurs in Less Developed Regions of Indonesia

The launch of the Blue Finance Accelerator (BFA) led by UNDP and supported by UNIDO has emerged as an essential transformative initiative and a pivotal occasion for entrepreneurs in Indonesia to unlock their investment potential to support blue economy. Indeed, Indonesia, as the largest archipelago with a vast coastline and abundant marine resources, holds immense potential in the development of blue economy entrepreneurship. However, access to innovative financing for MSMEs and start-ups operating in the less-developed regions is more challenging due to several reasons, including shortage in capacities, resources as well as limited opportunities within the entrepreneurial ecosystem that supports and nurtures MSMEs and start-ups to grow. Such ecosystems may be underdeveloped or non-existent, making it challenging for businesses to find mentorship, resources, and partnerships. Consequently, this leads to limitations in expertise and qualified resources for innovative business development among the entrepreneurs, which make them less attractive to the investors.

To bridge this gap and to create a pathway for more equal access to financing opportunities for MSMEs and start-ups in the lagging regions, UNIDO provides technical assistance through business development mentoring by promoting the alignment with SDGs in their business models as well as practical steps to ensure their achievement. This initiative is aimed at reinforcing investment readiness with a promising business model in line with SDG targets. The coaching is expected to serve as an important milestone for participating MSMEs to unlock networking and investment opportunities, and ultimately support them in business development, contributing to regional economic growth and environmental stewardship that aligns with the broader objectives of the sustainable blue economy. It is also expected that participants of the BFA will become the future mentors for young entrepreneurs in developing impactful projects with the aim “to leave no one behind”.