

Joint SDG Fund – Component 2 – SDG Financing

Template for the Joint Programme Final Progress Report (preparatory funding)

Purpose: to provide the UN Joint SDG Fund’s donors with evidence that preparatory funding provides good value for money - so that we can continue allocate resources to your programming.

Instructions: be succinct and to the point; emphasize only results and issues that you want to bring to the attention of the Fund; do not go over the max number of pages.

Deadline: January 31st, 2021

Cover page

Reporting period: June 30 – December 30, 2020

Country: Indonesia

Joint Programme (JP) title: Driving Public and Private Capital Towards Green and Social Investments in Indonesia / Accelerating SDGs Investments in Indonesia

Short title: ASSIST Indonesia

List of PUNOs:

United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), United Nations Industrial Development Organization (UNIDO), United Nations Environment Programme (UNEP)

RC (name): Valerie Julliand

Representative of Lead PUNO (name and agency): Norimasa Shimomura, Resident Representative, UNDP

Government JP Focal Point (name and ministry/agency):

- Deni Ridwan, Directorate General Budget Financing and Risk Management, Ministry of Finance
- Dian Lestari, Fiscal Policy Agency, Ministry of Finance

RCO JP Focal Point (name): Rachmat Irwansjah **E-mail:** rachmat.irwansjah@un.org

Lead Agency JP Focal Point (name): Muhammad Didi Hardiana **E-mail:** muhammad.hardiana@undp.org

Budget (Joint SDG Fund contribution): USD 150,000

Budget Expenditures: USD 124,858

Delivery Rate: 83.24%

$$\text{Prep Funding Rate (\%)} = \frac{\text{Expenditures PUNO}}{\text{Total transferred funds Jan 2020 to December 2020}} :$$

Short Description of the Joint Programme (1 paragraph for each section)

This description will be used to update your country page in our online platform (please scan the website before answering) <https://sdginvest.jointsdgfund.org/proposals>

The proposed joint programme (JP) brings UNDP, UNEP, UNICEF, and UNIDO together to support the Government of Indonesia (GoI) to meet its SDG targets by (1) taking proven and new financing instruments to scale through the provision of pre- and post-transactions technical assistance for three financing instruments: thematic bonds, blended finance instrument, and SDG-linked loans, and (2) providing capacity building to relevant stakeholders (e.g. GoI, Local Governments (LGs), Financial Institutions, Small and Medium-sized Enterprises or SMEs) to improve institutional capacities to access and utilize finance towards the achievement of the SDGs.

The proposed interventions will build on and take to scale successful UN programmes taking into account the ongoing COVID-19 crisis. This will result in a reduction in the financing gap and accelerating Indonesia's SDGs achievement through increased financing from innovative financing mechanisms and instruments from both government and non-government sources (e.g., public, private, and Islamic capital). The JP has the potential to assist the GoI and other key stakeholders to mobilise up to USD 4.55 billion to achieve the identified programmatic outcomes during the period of 2021 – 2024. The impact of the JP is spread across a number of SDGs; however, the JP will prioritize and monitor six SDGs goals: 5, 6, 9, 13, 14, and 17.

Financial leverage (estimated target in US\$): USD 4.55 billion

Challenge:

Explain the key challenge(s) the JP aims to tackle with reference to both development and financing challenges and how they interconnect.

Indonesia will experience direct negative impacts from climate change by 2100. There remains a significant funding gap on climate action will exacerbate these impacts and particularly affect vulnerable communities. At the same time financing SDGs remains an ongoing concern in the context of COVID-19 recovery.

Innovation (financial instrument/mechanism/approach):

Summarize the financial mechanism(s) proposed and why the approach is different from conventional and/or alternative approaches and how it is fit for purpose to address the challenge described above.

Indonesia will experiment an eco-system approach to create enabling environment for public and private investments and scale-up innovative financing. The UN will help the next generation of large scale bond issuances, ESG and SDG lending, as well as blended financing approaches that can accelerate the achievement of SDGs.

SDG Impact:

Please describe the development impact the JP aims to achieve. Do not list the SDGs.

Significant increase in public and private capital allocation for the SDGs, which will accelerate Indonesia's path towards sustainable development. The innovative financing instruments deployed will contribute to accelerating development in the underfunded sectors, including climate mitigation & adaptation, water & sanitation, and marine resource management, as well as ensuring gender inclusiveness and benefiting vulnerable communities.

Partners:

Please list key partners involved in implementation as well as secured investors. Do not mention more than 4-5 partners. Do not mention generic stakeholders (e.g. Government, private sector), but only specific institutions/partners.

This programme will be implemented through robust partnerships with:

- Government: Ministry of Finance and Financial Services Authority (OJK)
- Private Sector: Mandiri Capital Indonesia and Bank Rakyat Indonesia (BRI)
- International Financial Institutions: Asian Development Bank (ADB)
- CSO: Association for Women in Small Business Assistance

Final Progress Report (MAX 3 PAGES)

1.1. Progress achieved

Provide brief description of the project's developments, results and achievements during the preparatory phase including 1) financial vehicle design; 2) market assessment; 3) feasibility study; 4) pipeline assessment; 5) legal assessment; 6) investor mapping and matching; 7) others. Please list the names of strategic documents developed (if any).

Thematic Bonds:

[SDG Bond] Following the strong engagement and continuous support for the Green Sukuk development and issuance, GoI has further requested UNDP through the JP to support SDG Bond issuance proposed for mid-2021. A feasibility study to capture market potentials and scheme was finalized in December 2020, which provided the basis and recommendations towards the SDG Bond/Sukuk framework that is currently under development with UNDP support and aims to be finalized in March/ April 2021. The PUNOS will also provide a letter of opinion on the framework's SDGs alignment.

[Blue Sukuk] The government is looking at and has shown great interest in issuing a Blue Sukuk. In this regard, UNDP and UNEP, with support from DBS Bank Singapore, together with the Coordinating Ministry of Maritime and Investment Affairs are finalizing the Blue Financing Strategic Document, which is targeted to be published in Q2 2021. A series of intensive discussions and consultations have taken place with key stakeholders on the potential development of the Blue Bond/Sukuk.

[Municipal Bond] UNDP has been working closely with the West Java Provincial Government to potentially issue the first municipal bond in Indonesia. It has facilitated the discussion between the central government and the West Java Provincial Government, at which the MoF is planning to provide TA for the development of a "Debt Management Unit". Furthermore, West Java Local Development Planning Agency (BAPPEDA) has showcased their interest in UNDP support in the development of a pipeline of projects at municipal level.

Enabling environment: UNICEF is currently working with the Fiscal Policy Agency (BKF, Ministry of Finance) in identifying budgetary expenditure and investment in SDG goals related to children. Within the same partnership with BKF, in the last two years an institutional and technical capacity has been built to help assess the impact of fiscal policy and public investment decisions on poverty and socio-economic inequality.

SDG-linked loans to SMEs: UNEP, with support from UNDP, has entered an agreement with Bank Rakyat Indonesia (BRI), a state-owned bank, to pilot SDG-linked loans for SMEs operating in SDG priority sectors and develop a 'joint' green catalog 'that includes bank-worthy business enhancement and SDG performance measurement. The PUNO has also initiated engagement with Bank Negara Indonesia (BNI), members of UNEP FI. This potential scheme has already discussed and acknowledged by Indonesia Financial Service Authority (OJK), at which under the UNDP & OJK MoU, the SDG-linked loan will support the component of innovative sustainable finance product development of the OJK Sustainable Finance Roadmap 2021 – 2025.

For the potential pilot area, UNIDO has received Letter of Endorsement from Indonesia Chamber of Commerce and Industry - West Nusa Tenggara Provinces (KADIN NTB) to support its SMEs and creative industry in the area. Support also obtained from Civil Society Organizations engage in

gender-related initiative, i.e., ASPPUK (Association for Assistance to Women in Small Businesses) as the potential beneficiaries for SDG-linked loan and/or capacity building partner.

Indonesia Impact Fund (IIF): UNDP has maintained engagement with APEC Business Advisory Council (ABAC) and Mandiri Capital Indonesia (MCI) in the support towards the preparation and launching of IIF launching. Through this JP, UNDP will accelerate efforts to operationalise the fund before the end of 2021 since full partnership is contingent on co-financing. Currently, UNDP is holding frequent discussions on efforts needed for the operationalisation of the impact fund. UNDP provides advisory support relating to impact measurement analyses that would be required for the fund.

UNDP has had discussions with ADB and received initial commitment to conduct comprehensive capacity building programme (workshops, accelerator programme). This will support growth-stage enterprises (prioritizing youth-led and women-led) to become investment-ready and will complement the impact fund will be rolled out, including through accelerator programme.

1.2. Challenges faced

Did the UNCT face any major challenges in the preparatory phase? Briefly explain the challenges, their impacts, and how you overcame those.

Due to the COVID-19 pandemic:

- Ministries/Institutions shifted their focus into COVID-19 crisis response to minimize the pandemic's impact. However, given the increasing needs for post-pandemic recovery, the PUNOs have been able to maintain engagement by aligning the proposal and tailoring it to the current national priorities and needs.
- All coordination, both internally between PUNOs and with external stakeholders, has been conducted virtually. Although this possesses challenges during the project preparation, strong coordination and engagement was successfully managed - resulting in a full robust proposal design, aligned with the national priorities and strategies.

1.3 Partnerships leveraged

Did you leverage new partnerships during the preparatory phase (e.g. government, private investors, IFIs, bilateral/multilateral banks, etc.)?

- Yes
 No

Provide in bullet points the main highlights on strategic partnerships and with whom.

- *Sub-national government:* established engagement with the West Java Provincial Government as the potential issuer of first municipal bond in the country.
- *Private Sector (financial institutions):* established engagement with Bank Rakyat Indonesia (BRI) to develop the first national SDG-linked loan, DBS Singapore to develop blue finance initiative, and Mandiri Capital Indonesia for the blended finance scheme through Impact Fund.
- *Civil Society Organizations/ Associations:* established engagement with the Association for Assistance to Women in Small Business and the Indonesia Chamber of Commerce and Industry in West Nusa Tenggara, to support capacity building for women-led/owned MSMEs.

1.4. Co-funding mobilized

Did you secure additional funding or in kind support for the proposal during the preparatory phase?

- Yes
- No

If yes, please include amounts committed during the prep-phase.

Source of funding	Yes	No	Type? (\$ or in kind support)	Name of organization	Amount (USD)	Comments
Government	<input type="checkbox"/>	<input type="checkbox"/>				
Donors/IFIs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>In kind</i>	<i>Asian Development Bank (ADB)</i>	<i>100,000</i>	
Private sector	<input type="checkbox"/>	<input type="checkbox"/>				
UN/PUNOs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>Funding & In kind</i>	<i>PUNO</i>	<i>2,436,000</i>	
Other partners	<input type="checkbox"/>	<input type="checkbox"/>				

1.5. Budget changes (if relevant)

If there were changes in the actual budget from the one shared as part of the Fund Transfer Request, please briefly justify these changes.

- Yes
- No

Please, explain briefly: