UNLOCKING SDG FINANCING: FINDINGS FROM EARLY ADOPTERS

INDONESIA: ISLAMIC FINANCING AS A LEVER FOR CHANGE

UNITED NATIONS
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Dag Hammarskjöld Foundation

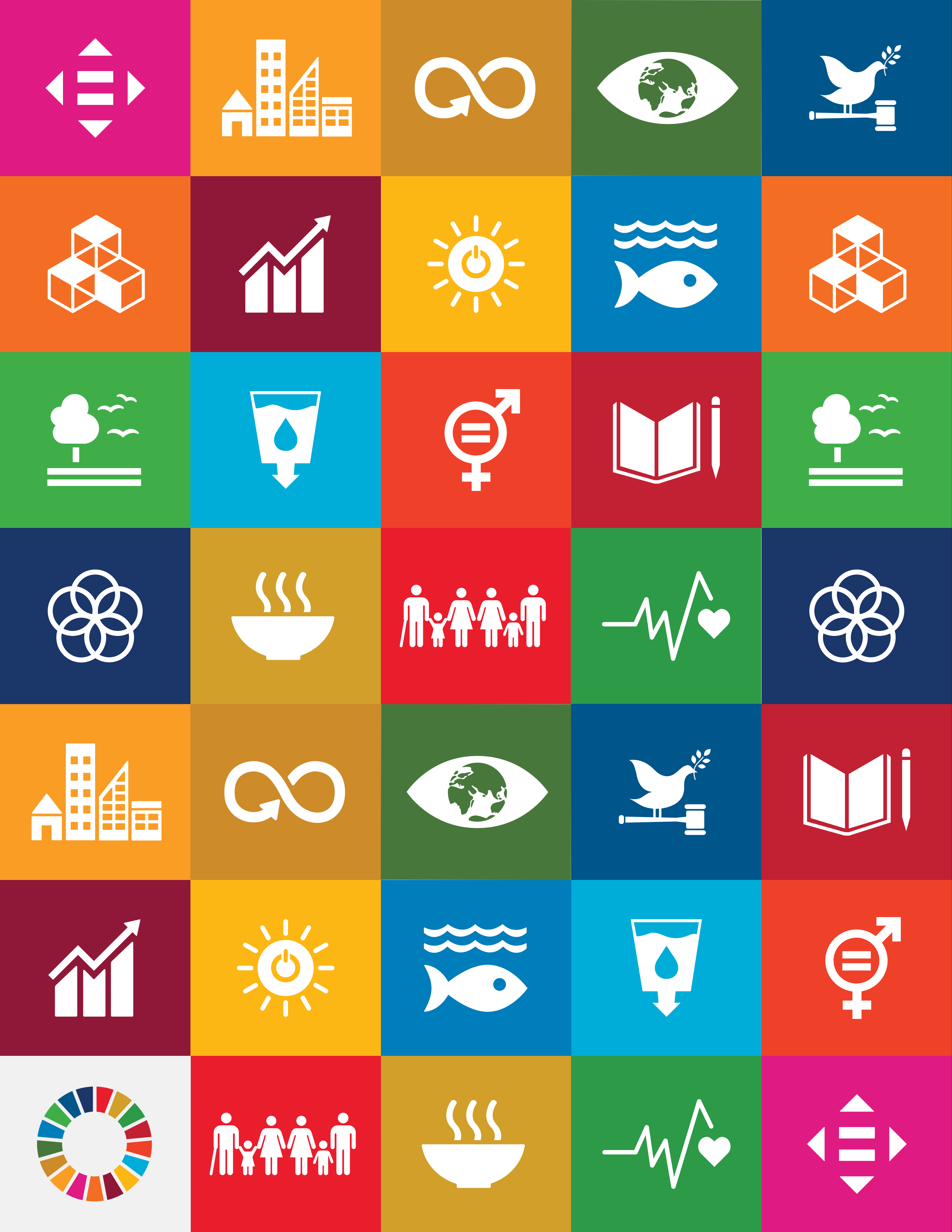
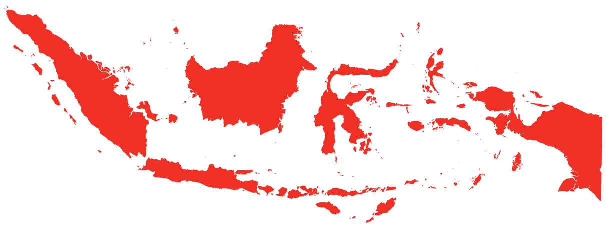


TABLE 1:
INDONESIA – THE BASICS (2016)



Population	261,115,456
GDP (current US$) (billion)	932,259,177
GDP growth rate (annual %)	5.0
GDP/capita (current US$)	3,570
Human Development Index (HDI)	0.689 (ranked 113th)
Poverty headcount ratio at national poverty lines (% of population)	10.9
Gini Ratio	0.40
Gender Inequality Index (GII)	0.467

Source: World Development Indicators and Human Development Reports

GENERAL STUDY BACKGROUND

The Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda on Financing for Development (aka: 2030 Agenda) call on all countries to advance the welfare of societies, economies and the environment. Science, technology and innovation were identified as the primary means of implementing the 2030 Agenda. But while donor and philanthropic funds account for billions of dollars in support, the cost of solving the world's most critical problems runs into the trillions—with an estimated $2.5 trillion US dollar annual funding gap to achieve the SDGs in developing countries. To close the gap it is imperative to develop and implement innovations that can attract national resources and private capital that can be used to achieve development objectives.

Innovative financing refers to a range of non-traditional mechanisms to raise additional funds. In addition to debt and equity investment, innovative vehicles include diaspora funding platforms, crowd funding, blended finance, peer-to-peer lending, social impact investing, insurance products, credit for rural small and medium enterprises (SMEs), and more.

This country report is part of a series of case studies[1] and a joint comprehensive report based on findings from the case studies. The aim is to identify, document, analyse and share best practices from United Nations Country Teams (UNCTs) that are already making progress on new financing approaches and unlocking SDG financing. The expectation is that other countries hoping to follow the path of early adopters will be able to do so, building on best practices and avoiding potential pitfalls. In these reports challenges and bottlenecks in adopting new approaches are outlined so that, where possible, they can be addressed corporately.

1 The other two countries are Armenia and Kenya. These three countries were selected after an internal process administered by the United Nations Development Operations Coordination Office (UN DOCO). An independent consultant visited the three countries early 2018, meeting with and interviewing a large number of United Nations staff, government officials, private sector partners, and other development stakeholders.

COUNTRY CONTEXT AND RATIONALE FOR FINANCING APPROACHES

Indonesia is the largest economy in South East Asia and has seen impressive economic growth since the Asian financial crisis of the late 1990s. A diverse archipelago nation with more than 300 ethnic groups, Indonesia is the fourth most populated nation on Earth and boasts the world's largest Muslim population. It also hosts the world's 10th largest economy in terms of purchasing power parity and is a member of the G-20.[2] As an emerging middle-income country, Indonesia has made enormous gains in poverty reduction, cutting the poverty rate by more than half since 1999 (10.9% in 2016).[3] Yet, despite the gains challenges remain and the country needs to ensure that economic growth becomes more inclusive and 'green' so it can effectively accelerate the progress of the SDGs.

Indonesia's development planning is done in 20-year cycles, the most current from 2005 to 2025. This broader plan is segmented into five-year medium-term plans—each with different development priorities. The current medium-term development plan (RPMJN), the third phase of the long-term plan, runs from 2015 to 2019. The fundamental SDG principle of "leaving no one behind" is reflected in the RPMJN and focuses on, among other things, infrastructure development and social assistance programmes related to education and health-care.[4] These public spending programmes have seen success because of the reform of long-standing energy subsidies, which has resulted in greater investments in programmes that directly affect the poor and near-poor.

The country's development plans are implemented in the context of an evolving financing landscape. International financing remains a low percentage of the overall mix and Official Development Assistance has been decreasing compared to

**TABLE 2:
RESOURCE INFLOWS IN INDONESIA (USD MILLIONS)**

year	ODA	remittances	FDI	long term debt (official sources)	long term debt (commercial sources)	short term debt
2000	2300	2600	0	18	5700	1100
2001	2000	2400	0	0	5000	0
2002	1900	2500	0	129,2	4000	0
2003	2200	2600	0	0	9700	1500
2004	1600	3100	3100	66,4	13400	4200
2005	2800	8500	13100	0	17800	0
2006	3000	7500	6400	1000	19100	1500
2007	2800	7200	8100	590,3	16900	7500
2008	3100	7200	9800	89,5	19400	1900
2009	3200	7300	5200	1100	27000	3800
2010	3000	6000	12000	1300	24100	7800
2011	2100	5400	15000	481,1	27800	4000
2012	1800	5800	15400	294,5	42200	4900
2013	2100	6500	16100	927	39800	1600
2014	1900	7900	20100	583,1	61400	0
2015	2000	9600	15500	401,1	54900	0

Source: Development Initiatives calculations based on various sources

other resources. Domestic private investment has dominated the financing landscape, while domestic public resources have decreased as a share of total financing. Acknowledging the importance of private capital flows is critical if Indonesia is to achieve its development goals. This is why efforts are being made to strengthen the country's investment climate and the government continues to announce policy reforms meant to cut red-tape. Most investors welcome these reforms, which include opening more sectors to external investment (e.g. e-commerce, highway construction, cold storage and retail) and reducing the high cost of logistics.[5]

SDG FINANCING INITIATIVES IN INDONESIA

The UNCT in Indonesia is implementing a range of activities and experimenting with new forms of financing to support SDG achievement. This includes innovative work by UNDP Indonesia in exploring new social and blended finance instruments, surveying the potential of Islamic finance for SDGs, launching crowdfunding campaigns for environmental projects, supporting the establishment of a national sovereign wealth fund, and setting up an Innovative Financing Lab. This report summarizes the journey so far.

CROWDFUNDING CAMPAIGNS

In 2016, UNDP implemented two successful crowdfunding campaigns that are now being scaled up[6] to an SDG crowdfunding platform.

The first UNDP Indonesia crowdfunding campaign "Bring Water for Life"[7] was launched on World Water day in March 2016 and gathered public support for providing clean water access in Napu, a remote village in East Sumba, by building a solar-powered water pump system. The pump covers the daily water needs of 500 community members, including those who grow vegetables for income generating purposes. The water system reduces the physical burden on villagers as they no longer have to walk four kilometres up and down the hill every day to get water. Most importantly, it increases their resilience to severe drought risk caused by climate change. Collective efforts throughout the campaign resulted in 351 million Rupiah ($2,457 US dollars) being raised, which was slightly over the initial target of 350 million Rupiah. The campaign drew a lot of support from public figures like UNDP SDG Movers Reza Rahadian and Eva Celia,[8] as well as donations from private companies and student supporters.

2 See: https://en.wikipedia.org/wiki/G20.
3 World Bank Indonesia Office http://www.worldbank.org/en/country/indonesia/overview.
4 Indonesian Ministry of National Development Planning (BAPPENAS) https://www.bappenas.go.id/id/data-dan-informasi-utama/dokumen-perencanaan-dan-pelaksanaan/dokumen-rencana-pembangunan-nasional/rpjp-2005-2025/rpjmn-2015-2019/.
5 After decades of economic protectionism Indonesia moved to implement dramatic reforms in February 2016 with President Joko Widodo's announcement of the 10th economic stimulus packages (out of 12). Thirty-five industries were removed from the government's "negate investment list" that outlines sectors where foreign investment is prohibited or restricted.
6 Funding for both campaigns went directly to NGOs as UNDP only supported campaign components. For 2018, UNDP developed a new mechanism where it became a microsite administrator and will receive 2% of funds raised. UNDP Indonesia hopes to launch two campaigns in 2018 and raise upwards of $60,000 US dollars.
7 See: https://goo.gl/gnEeKg.
8 SDG Mover is a UNDP initiative where public figures raise public awareness on the importance of the SDGs to eradicate poverty and improve well being in Indonesia.

The second campaign was launched in August 2017 to protect endangered Sumatran tigers in two Indonesian major national parks.[9] Teaming up with crowdfunding platform, Kitabisa.com, the *#TimeForTigers* campaign aimed to raise 25 million Rupiah ($1,750 US dollars) to eradicate human-made traps in national parks. In just over a month, the campaign raised over 30 million Rupiah ($2,100 US dollars). Funds raised will be used to support volunteers under a local NGO.

SOCIAL ENTERPRISES

Indonesia has a growing social entrepreneurship system that has a long history[10] and the potential to positively disrupt numerous sectors. UNDP Indonesia has increasingly been playing the role of facilitator by helping young social enterprises access funds and grow their competences.

ANGIN[11] is the first, and largest, angel investor network in Indonesia with more than 70 investors, including 30 women. ANGIN brings together high-net-worth individuals who pool resources to engage in early stage investment and mentoring. Angel investors built their wealth in various industries (e.g. media, real-estate, and natural resources) and are committed to provide early stage capital to entrepreneurs operating in several sectors like technology, consumer products and services, social enterprises, among others. ANGIN angel investors provide Indonesian entrepreneurs with strategic guidance, industry expertise and access to networks, and are supported by a dedicated, full-time team and a network of partners. UNDP Indonesia is one such partner.

The ANGIN-UNDP partnership has already led to several successes. In December 2016, ANGIN and UNDP Indonesia[12] found that a growing number of social enterprises encountered two main challenges: funding gaps and lack of expertise.[13] Based on these findings, UNDP and ANGIN made plans set up the first **blended finance fund, “SDG Impact Fund Negara,”** in Indonesia by the end of 2018. This would involve targeting early-stage social enterprises across the agricultural value chain (ANGIN identified over 120 social enterprises to be assessed).

Through this blended finance mechanism, public or concessionary capital (e.g. grants from international agencies or development aid) will be used as first-loss capital aimed to activate private sector capital (e.g. banks, high-net-worth individuals, family foundations). To address the issue of missing expertise , the SDG Impact Fund will provide end-to-end capacity building for these social enterprises. UNDP will build capacity through pre-investment training and due-diligence. Based on this, the SDG Impact Fund will assess investment opportunities and provide post-investment support. These steps will hopefully improve the capacities of social enterprises, making them more attractive to potential investors in the short and medium terms. To reach social enterprises based outside the capital and across the archipelago, UNDP Indonesia partnered with ANGIN to organize the **first social enterprise road show** in the country. The event took place over a week in February 2018 and catered to 90 social enterprises in Lampung and Manado. Participants listened to inspirational talks given by established social enterprises and attended training sessions on investment readiness, sustainability and scalability, as well as impact measurement. In Lampung, representatives from two ANGIN-supported enterprises spoke about their process.[14]

Krakakoa[15] is a chocolate company that aims to empower farmers by implementing a bean-to-bar concept, which helps farmers set higher prices for their products and, ultimately, receive a higher income. **Vasham**[16] is a social enterprise that uses a closed loop business model to provide Indonesian smallholder farmers with the financing, expertise, and income security they need to achieve significantly better standards of living.

Additionally, the road show was an opportunity to spread the word about **Connector.Id**, an online matchmaking fund that connects entrepreneurs in the country with possible investors.

9 See: https://kitabisa.com/savesumatrantiger.
10 In Indonesia, the first example of a modern social enterprise is the launch of Ashoka’s country programme in 1983, which sought to identify, train, and fund entrepreneurs. The programme in Indonesia was Ashoka’s second country office after India.
11 See: http://angin.id/.
12 With financial support from the Canadian government.
13 Around 70% of social enterprises are in their early stage and seek anywhere between $10,000 - 150,000 US dollars in funding. Meanwhile, most impact investors have their sights set on larger players ($500,000+ US dollars) because of the cost-to-return ratio, and newer companies make banks hesitant to hand out loans. On top of funding mismatches, research shows that many founders lack expertise or skills in important areas such as financial management, leadership, and strategic thinking—all of which impede their growth potential and ability to secure funds.
14 See: UNDP (2018), ‘Indonesia’s Unsung Heroes: A Story of Women Leaders in Indonesian Social Enterprises’, https://undpindonesia.exposure.co/indonesias-unsung-heroes.
15 See: https://www.krakakoa.com/.
16 See: vasham.co.id/.

BOX 1: CONNECTOR.ID[17] – THE MATCHMAKING FUNDING PLATFORM IN INDONESIA

UNDP Indonesia ad ANGIN[18] established Connector.Id to foster entrepreneurship (SDG 8) and provide small and medium sized companies with access to financial services (SDG 9). The platform is run by a team based in ANGIN and UNDP acts as facilitator, provides guidance and increases the visibility and usability of the platform via its country-wide network of partners and beneficiaries.

Since its launch in July 2017, the Connector.Id team received more than 700 applications. Interested entrepreneurs provide basic information about their business and requirements. The platform matches the startup with one or more categories of capital providers (e.g. bank, venture capitalist, angel investor, impact investor, government support, others) and the entrepreneur then determines what categories is most relevant to their business. When the startup is ready to be connected it will fill out another form prior to being screened by the Connector.Id team. Once Connector.Id makes a "match" between an applicant and funding partner it follows up with both parties regularly. Based on initial success, OXFAM and UBS Bank have committed to financially support the platform while an American venture capitalist issued a term sheet to financially support platform expansion.

REACHING THE NEXT LEVEL: FUTURE AMBITIONS

ISLAMIC FINANCING

In April 2017, UNDP concluded several agreements on aligning and channelling *zakat*,[19] which are charitable funds collected and managed by Baznas[20] (the National Zakat Collection Agency). The partnership between UNDP Indonesia and Baznas is groundbreaking because it is the first time a Zakat organization committed to supporting the SDGs anywhere in the world. Although many common goals and principles link the SDGs to *zakat* organizations the latter have been overlooked as a source of financing for the SDGs.[21] The partnership with Baznas commits *zakat* funds for micro-hydro energy in rural villages in Sumatra, using a UNDP-Global Environment Facility (GEF) project and funds from the state-owned Bank Jambi (through a cost-sharing agreement).[22]

In addition to Baznas, UNDP signed two agreements with Bank NTT, the first government enterprise to finance development projects in cooperation with UNDP. The first agreement was signed in March 2016 and allocated $150,000 US dollars to support climate resilience by improving access to water and renewable energy sources and support to livelihoods in remote areas of Indonesia that have been most affected by climate change. The second agreement may include supporting biodiversity conservation efforts in Sulawesi using *zakat* funds.

All agreements open the door for collaboration with other United Nations organizations in Indonesia; however, the primary challenge around using *zakat* funds is the trust deficit between existing collection institutions and people who donate money. Seeing this as an opportunity, UNCT is directly connecting individual donors with beneficiaries while increasing generating higher social returns, and increasing visibility and accountability. In particular, the partnership between UNDP and national level Islamic finance institutions in Indonesia—such as Baznas, the World Bank Country Office, and Ministry of Finance—improves coordination between United Nations organizations and helps improve overall cooperation and synchronization of the UNCT communication strategy with the national government.

UNDP has worked with the Ministry of Finance since 2011 to integrate the sustainable development agenda into the budgeting process. With a focus on climate change, UNDP support resulted in a public financial information management system that tracks climate-related allocations and expenditures. In February 2018, UNDP technical assistance helped the government issue the country's first green Sukuk bond that is designed to comply with Islamic law.[23] The country has borrowed $1.25 billion US dollars with the issuance of a five-year Sukuk bond that offers a yield of 3.75%, and $1.75 billion in 10-year Sukuk

17 See: http://connector.id.
18 Supported by Amazon Web Services and the Indonesian Governmental Agency for Creative Economy (BEKRAF).
19 Zakat is an annual mandatory charitable donation, amounting to 2.5% of accumulated wealth and payable by all Muslims, providing their acquired wealth that year is above a certain threshold. Eligible recipients include the poor, refugees, and others in need. Zakat is transferred directly to the recipient or paid to Islamic institutions/mosques (administrator) that distribute zakat directly to beneficiaries.
20 Baznas was established by the government based on Presidential Decree 8/2011. The agency is responsible for collecting and distributing zakat at the national level.
21 An article on zakat as a means to alleviate poverty by Zainulbahar Noor (Deputy Director of Baznas) and Francine Pickup was published by The Guardian (2017), see: https://goo.gl/vc3wPB.
22 UNDP (2018), 'First in Indonesia: Zakat Financing Gives 'Rays of Hope' to Four Villages in Jambi,' see: https://goo.gl/sGJn7k.
23 Sukuk refers to financial certificates that are "sharia compliant" bonds. The first green bond was launched in Poland in 2016 and raised €750 million Euros in five-year bonds.

bonds that offer a yield of 4.4%.[24] Proceeds from these bonds will be allocated to climate or environment-related projects, such as renewable energy, sustainable transport, waste management and green buildings.

Other religious funds, such as *Waqf* (Islamic assets or cash endowment) can positively contribute to the SDGs.[25] UNDP and Badan *Waqf* Indonesia, the national *Waqf* board of Indonesia, agreed to join forces to harness the full potential of *Waqf* to achieve the SDGs by signing a memorandum of understanding in January 2018.[26] This collaboration will result in the development of a digital *Waqf* platform through blockchain technology to encourage SDG donations and foster sustainable cash endowments.

SOVEREIGN WEALTH FUNDS (SWFS)

In 2016, UNDP Indonesia and the Institute for Economic and Social Research conducted a joint assessment and discovered that 13 provinces and 20 districts have the fiscal capacity to establish a SWF. The government in the province of Musi Banyuasin, home to some of the country's biggest oil, gas and mineral reserves, expressed a desire to partner with UNDP Indonesia in setting up the country's first sovereign wealth fund. In August 2017, a memorandum of understanding was signed and work is in progress to establish operational modalities that will allow the district government to channel surplus funds accrued from extraction industries towards initiatives that enhance socio-economic development in the region—while ensuring stable sources of income despite dwindling natural resources.[27]

The success of this programme may be a turning point for natural resource revenue management in Indonesia since no such fund exists. Lessons learned will allow for similar institutions in other resource rich areas in Indonesia to scale up their own programmes and better optimize government funds to help achieve the SDGs.

INNOVATIVE FINANCING LAB

The objective of the Lab is to come up with innovative methods of unlocking and using funds to help close the SDG financing gap.[28] In practice, this means designing and testing new financing instruments, helping enhance investments for higher SDG-returns, and contributing to a stronger enabling environment for SDG- friendly finance. The Lab operates using a multi-sectoral partnership model where UNDP plays the role of coordinator and connector to help partners in using new models of financing.

Although the Lab will be based in Jakarta it will be global in offering services to partners. It will be a collaborative space, involving the United Nations, private sector and civil society. Lab staff will map and analyse the current financial landscape; co-design and test new financing solutions; align existing investments with the SDGs; measure progress and evaluate impact. Lab partners will include the private sector, Indonesian State Financial Authority, and state-run *zakat* organizations.

The Lab will build a network of partners and codify learning for the Asia Pacific region and UNDP around the world. It will offer experimentation spaces where various partners can launch prototypes and test funding models for development initiatives. The Lab will consolidate knowledge and learning for middle-income countries and be part of a regional network of innovation hubs across Asia Pacific.

THE 'INTERNAL KITCHEN': HOW IT WAS DONE

Indonesia is one of the most generous countries in the world when it comes to giving. In the top three, it is behind only Myanmar and Kenya.[29] Because of this and the successful crowdfunding campaigns, a new, collaborative way of thinking emerged within the UNCT. The country team in Indonesia is taking the lead on paving the way for Islamic financing for SDG achievement. If successful, it may be the biggest source of financing for achieving the country's development goals.

While UNDP takes the lead within the UNCT, it receives support and guidance from the Office of the Resident Coordinator, which rallies other United Nations organizations in the country behind these innovative ideas. The core team of five is located within UNDP and is led by the UNDP Deputy Country Director.

Though the journey has in many ways, just begun, the UNCT has learned the following from the experience so far.

Make innovative financing the core of your strategy and thinking. Innovative financing has been a core element of the UNCT strategy in the country (via the United Nations Development Assistance Framework [UNDAF]) and is perceived as a pre-requisite for future viability. In many instances, the UNCT requires support from headquarters to fundraise and secure

24 UNDP (2018), 'Indonesia Tackles Climate Change through the Issuance of Green Sukuk (Islamic Bond)', https://goo.gl/SJ7ZA7.
25 UNDP (2017), 'Waqf for Financing the Sustainable Development Goals (SDGs)', https://goo.gl/Zh8oab.
26 UNDP (2018), 'Promoting Waqf for SDGs. BWI-UNDP Signed an MoU', https://goo.gl/QNDbRD.
27 UNDP (2017), 'Sovereign Wealth Fund for SDGs Financing in Indonesia Post Oil and Gas Era', https://goo.gl/Lfs6LM.
28 UNDP (2018), 'Nine Keys to Creating an SDG Country Platform in Indonesia', https://goo.gl/BkPAgm. T Lab's brochure: https://goo.gl/yhKpMa.
29 According to Charities Aid Foundation's 2017 World Giving Index https://www.cafonline.org/about-us/publications/2017-publications/caf-world-giving-index-2017.

the operating costs for such initiatives. For some, a waiver may allow organizations to operate and experiment outside standard practice.

Hire the right people to act. In order to build momentum, the UNCT needs to be more flexible since the window of opportunity for concluding partnerships with the private sector lasts only several months. UNDP in Indonesia, for example, hired staff with the appropriate educational background and work experience. In Jakarta, the UNDP office has a separate unit that works on Islamic financing where one member of the team used to work for the head office of Baznas. This strategic placement of personnel opened the door for new conversations and partnerships to occur. When considering partners (both institutional and internal staff), the UNCT tries to balance several perspectives: the experience and skill of individuals and the complementary nature of perspectives (be it tech, policy, business, development, financing, economics, etc.), social influence reach (from local to regional or global, and professional to public, etc.), and overall social skills (personality traits should be complementary and lead to effective cooperation).

Define who you are going to work with from the start. The UNCT needs institutional partners that can spur systemic change. In Indonesia, these partners are the central and provincial governments, local banks, and partners like ANGIN. The UNCT is careful in choosing its counterparts as some can stall process, simply because of how they work. Preferred partners include effective and efficient groups with a proven track record of taking on innovative challenges with a can-do attitude, and have the capacity to deliver on ambitious targets.

Who will champion an initiative within the country and where are they located?

Understand the power structures within the country. When considering links between government and the private sector the UNCT tries to understand the nature of existing power structures and systems. Who will champion an initiative within the country and where are they located? In Indonesia, the State Financial Authority holds a relative amount of power through its ability amend financial regulations (even if they cannot pass laws. To this end, UNDP collaborates with the State Financial Authority, Ministry of Finance, Indonesian Central Bank, and regional banks to analyse the scope for policy change and resource allocation.

CHALLENGES

Challenges can be grouped in two categories: structural and systemic challenges involving legal practices in Indonesia, and challenges inherent to the United Nations system.

STRUCTURAL AND SYSTEMIC CHALLENGES

Legal impediments and risk of market distortion. There is a risk that UNDP, through its innovative financing initiatives, is seen to be subsidizing or undercutting the market because it prefers one investment fund over another or provides subsidised financing. Possible solutions to this include working in sectors where there is market failure, bringing resources to sectors where there are none (e.g. middle-of-the-road enterprises too big to qualify for micro-financing but too small to qualify for bank loans), and emphasize the need of pilot projects to provide proof of concept and incentivising private players to move towards SDG-aligned investments. Another risk is that national legislation does not allow some initiatives to be launched (e.g. impact funds). Piloting projects can help the government jump regulatory hurdles and enable SDG aligned investments through effective policy change.

Lack of clear metrics for impact measurement. On the one hand, the private sector (impact investors, social enterprises and enablers) do not perform impact assessments because they are cost prohibitive. On the other hand, public authorities and international development partners do not have a common methodology and/or metrics for gauging impact (especially in the long-term or a few years after an initiative has been implemented). Some local institutions may lack trained staff to produce thorough impact assessments, which means that most impact evaluations are conducted by external/international entities.

CHALLENGES FOR THE UN

Internal processes, rules and procedures. Initiatives implemented in the country so far present an opportunity to build momentum; however, slow internal bureaucratic procedures and UN processes (depending on organizational mandates), plus inflexible rules and regulations do not inspire United Nations organizations to test innovations or take risks. Innovative and private sector oriented initiatives call for taking decisions quickly, something that is challenging in UNDP because of bureaucratic processes that may alienate private sector partners (e.g. due diligence and recruitment processes). One example involves recovering costs—in this case UNDP needs to provide advisory services against a fee to private sector but doing so currently requires a waiver. Rigid internal procedures such as these makes it difficult for UNDP to design and test financial tools and products to efficiently engage private sector partners in SDG financing.

Secure seed funding. Donors may be reluctant to work with the UNCT because they do not understand how the UN operates in this field. Donors may also be unfamiliar with investment modalities such as public – private partnerships, impact investment, thus limiting the possibilities for the UN to get concessional finance or loan guarantees to implement innovative financing initiatives. The challenge is for the UNCT to clarify its role and added value, and present a clear case to donors and other investors as to why they are a .

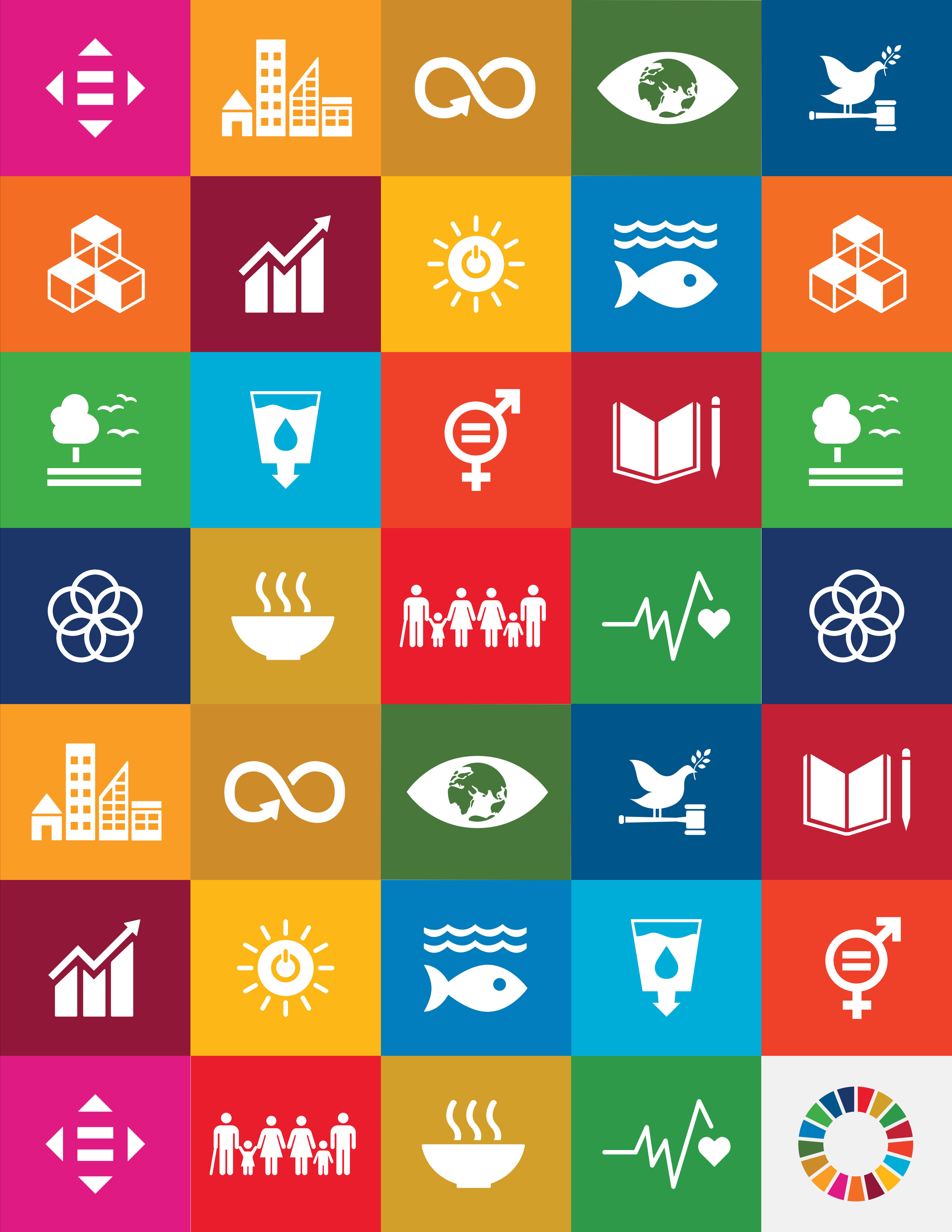
Limited in-house capacity. At times, the UN lacks in-house capacity, particularly on specific topics such as Islamic finance or impact investment. One way of addressing this limitation is investing in staff and partnering with those who have complementary skills and expertise.

MAIN TAKEAWAYS

Impact fund investors demand rigorous measurement, monitoring and reporting of social and environmental impact at the company portfolio and fund level. Whether impact assessments are carried out internally or commissioned by third parties, this function creates an additional burden in terms of costs and staff commitment. The UN in Indonesia can create value by taking the lead on designing a common framework for impact measurement that makes sense to public and private partners.

Make new financing models your core strategy. The case of Indonesia shows that crowdfunding or Islamic financing is not a new method of funding. It's a tool to engage communities, a powerful outreach and advocacy mechanism, and a way to create new business models and use new technologies for tackling social problems. For these approaches to work and be adopted by many United Nations organizations, it is imperative that innovative financing be integrated into core strategies and operations of what the UN does in country.
Recruit the right people. It is important to recruit the personnel needed to implement these initiatives as soon as possible while keeping in mind that qualified and experienced people are not always available on short notice.

Define the role(s) of your partners. It is crucial to define the roles of primary partners from the very beginning of the process, as well as engage and secure main counterparts from the government. Who will be the main interlocutor or advisory board member? Will it be the Prime Minister's Office, Ministry of Finance, or another entity?



UNITED NATIONS
SUSTAINABLE
DEVELOPMENT
GROUP

The United Nations Sustainable Development Group (UNSDG) unites the 31 UN funds, programmes, specialized agencies, departments, and offices that play a role in development. Since 2008, the UNSDG has been one of the three pillars of the UN System Chief Executives Board for Coordination, the highest-level coordination forum of the United Nations system.

At the regional level, six Regional UNSDG Teams play a critical role in driving UNSDG priorities by supporting UN Country Teams with strategic priority setting, analysis and advice.

At the country level, 131 UN Country Teams serving 165 countries and territories work together to increase the synergies and joint impact of the UN system.

The Development Operations Coordination Office (DOCO) is the secretariat of the UNSDG, bringing together the UN development system to promote change and innovation to deliver together on sustainable development.

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