



Indonesia's Green Sukuk Initiative



WHAT IS THE GREEN SUKUK?

Green Sukuk is a sharia-compliant bond, where 100% of the proceeds go exclusively to finance or re-finance green projects that contribute to mitigation and adaptation of climate change as well as preservation of biodiversity.

This issuance amounted to \$1.25 billion in 2018, is for 5 years with 3.75% coupon, and places Indonesia as the first sovereign green sukuk issuer in the world.

The issuance of this bond is guided by the Green Bond and Green Sukuk Framework, reviewed by CICERO, one of the world's leading green bond reviewer.

The Government issued retail sukuk at affordable prices to encourage financial inclusion.



HOW IS UNDP SUPPORTING THE GOVERNMENT?

Since 2014, UNDP has been directly supporting the Government of Indonesia in 3 key areas:



BUDGET EXECUTION & EXPENDITURES

UNDP works to strengthen public financial management systems to better manage public funds.



MOBILIZING PRIVATE CAPITAL

UNDP supports national systems that allow better decision making.



MEASUREMENT & REPORTING

UNDP is developing Impact measurement frameworks for green investments and SDG related outcomes



In 2015, Indonesia with support from UNDP, introduced a system for "tagging" of ministry budgets (Budget Tagging Process) to identify and track expenditures on projects that deliver specified climate change benefits in accordance with Indonesia's climate objectives. The Budget Tagging system involves a detailed assessment of the climate benefits of projects undertaken by Line Ministries as mandated in the RAN GRK.



Using the budget tagging system, the Government of Indonesia was able to leverage US\$ 1.25 billion raised from the capital markets.

We partnered with the World Bank in providing technical assistance and capacity building for post-issuance impact reporting to inform investors on the use of proceeds. We are also working across sector ministries to improve how government manages and monitors green investments'.



UNDP is supporting the Indonesian government to report to investors and has developed an impact measurement framework which identifies indicators for measuring the impacts of green investments.

Islamic Financing in Indonesia

BEYOND SUKUK

Indonesia is among the leading countries in adopting the SDG agenda. Its economy is growing and the country's citizens are well known for their generosity, especially for religious giving - including zakat and waqf.

The country has an unparalleled opportunity to alleviate poverty and achieve the SDGs using untapped potential of Islamic finance and funds, as funding from the government and international development partners alone will not be enough.

Islamic finance has become a vital innovative financing modality to fill the SDGs funding gap and Indonesia is now viewed as an up and coming force in Islamic finance in South East Asia.

UNDP Indonesia's work on Islamic Finance is part of a broader focus on how new forms of capital can be channeled to unlock private financing by exploring partnerships with domestic banks on Islamic micro-finance, including revolving funds.

For example, the partnerships between UNDP Indonesia and Baznas is groundbreaking because it's the first time that Zakat organization has committed to support the SDGs anywhere in the world.

The partnership with Baznas commits Zakat funds for micro-hydro energy in rural villages in Sumatra and leverages a UNDP/GEF project and CSR funds from a state-owned provincial bank.

UNDP Indonesia also signed an agreement with Badan Waqf Indonesia, to collaborate on SDGs and develop a waqf digital platform to encourage waqf contributions.



THE CORE PRINCIPLES OF ISLAMIC FINANCE:

- Channeling funding to the real economy by promoting risk sharing,
- Avoiding excessive speculations,
- Limiting debt to the value of assets

HOW DOES UNDP CONTRIBUTE?



In-depth knowledge and experience on different forms of innovative financing



Unlock and leverage new finance, including Islamic finance to close the SDG funding gap



Help Zakat and other religious funding and financing organizations address poverty, inequality, and other areas of common interest that are outlined in the Maqasid al Shariah and SDGs