

# Sukuk and Islamic fund as biodiversity-finance solution in Indonesia

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Presented at The East Asian Sea Congress 2018

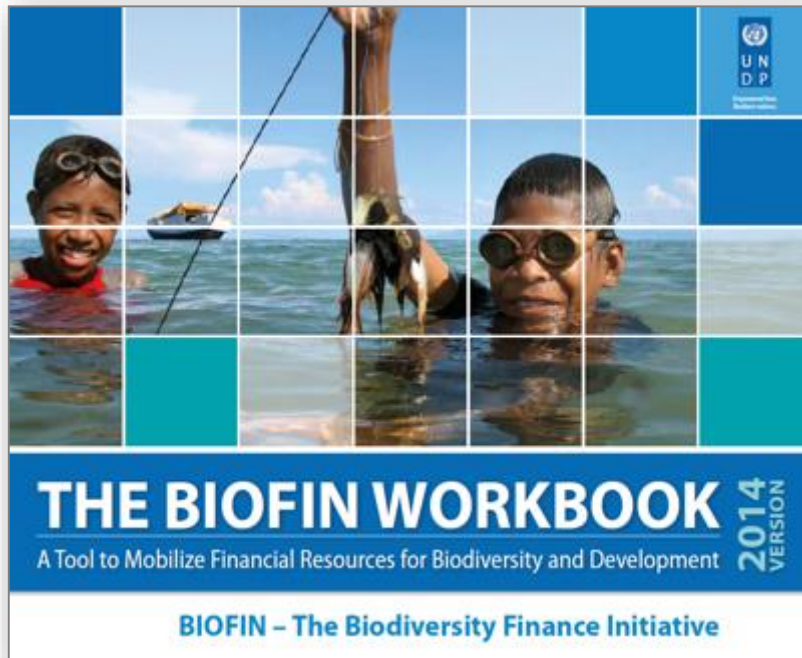
# Outline

BIOFIN Process

Strategizing  
Islamic giving  
for biodiversity

Green Sukuk  
for Biodiversity

# BIOFIN Process



**PIR** : Policy and Institutional Review; Policies define biodiversity expenditures  
(MOEF)

**BER** : Biodiversity Expenditure Review; Sources of funding; expenditures  
(Ministry of Finance)

**Financing Plan** : feasible financing mechanisms; institutional preparedness ; legal preparedness  
(Ministry of Finance)

**Finance needs** : strategy documents and action plans to be costing  
(Bappenas)

**Beyond BIOFIN : Piloting Financial Mechanism**  
institutional mandates ; existing capacities and structures



# Biodiversity Finance Plan

74 existing  
financial  
mechanism

83 potential  
financial solutions

41 Government  
18 private company  
20 Civil society  
4 Donor  
2 national FIs

43 Government  
12 private company  
15 Civil society  
3 Donor  
14 national FIs

Define category of  
financial result

Mapping

Prioritization &  
Consultation  
(ref. IBSAP)

Rapid  
Screening

Proposal

# Finance Solution Proposal

State Budget	Zakat, Infaq, Shadaqah, Waqf	Debt for Nature Swap	Rare Species Fee
Aid Coordination	Impact Investment through Green Islamic Bonds	Corporate Social Responsibility (CSR)	Bioprospecting
Tariff/fee/tax/for water	Environmental Trust Fund	Biodiversity Offset	Tourism fee & Commercial Advertisement
Wastewater fees and penalties	Crowdfunding	Green Sukuk	Ecological Fiscal Transfer



**BAZNAS**  
Badan Amil Zakat Nasional

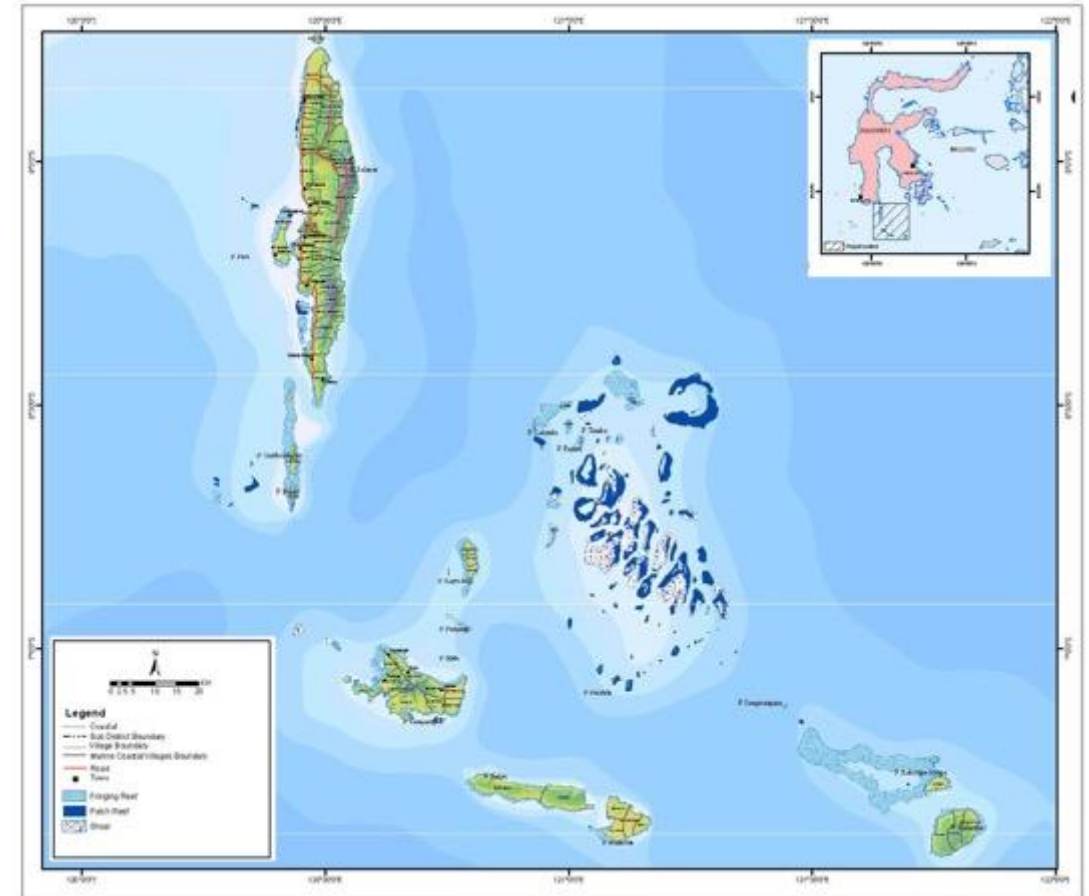


*Empowered lives.  
Resilient nations.*

# Strategizing Islamic Giving for Biodiversity

# Selayar Islands Regency

- Area: 10,504 km<sup>2</sup> (approx. 77% sea)
- Population 130K inhabitants
- Resources: coconut, fish, nuts (cashew, walnut), agriculture, beautiful landscape
- Takabonerate NP is the third largest atoll in the world
- Problem: destructive fishing practice, low value added products, mangrove exploitation
- The initiative aims to increase income of community while preserving environment







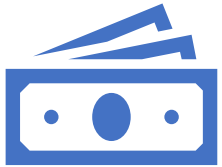


# Proposed activities



- Two coastal communities
- Forming group of each activity
  - VCO and cooking oil
  - Coconut charcoal
  - Nata de coco
  - Shredded dry fish
  - Fish ball
- Capacity building on production and marketing
- Awareness raising on mangrove protection and marine waste management

# Expected Benefit



## Economic

Increase income of coastal community



## Social

Increase capacity of poor people  
Enhance social capital of local communities



## Biodiversity

Reduce pressure on mangrove  
Improve sustainable fishing practice  
Efficient use of resources

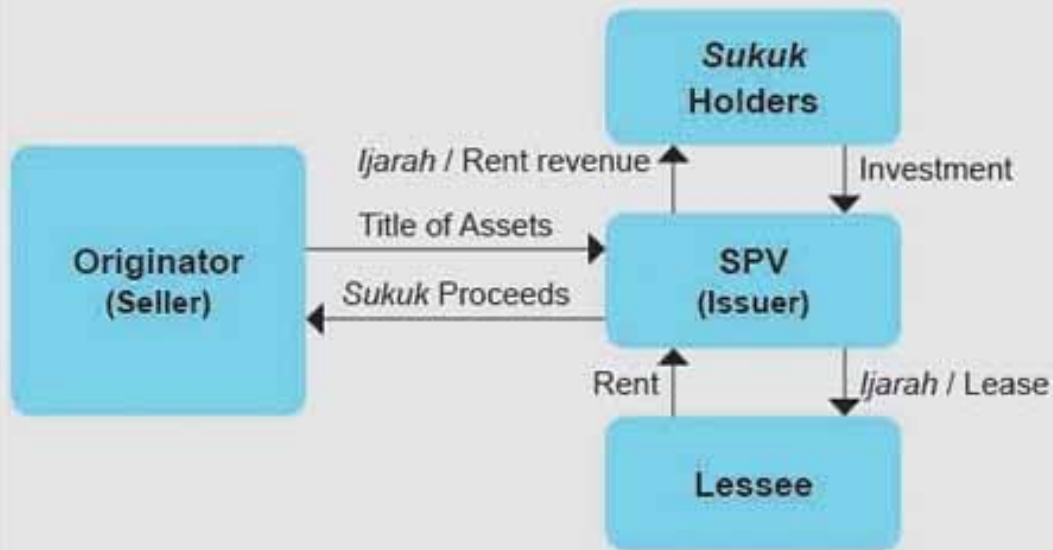


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# Green Sukuk for Biodiversity

### Sukuk Ijarah (lease)

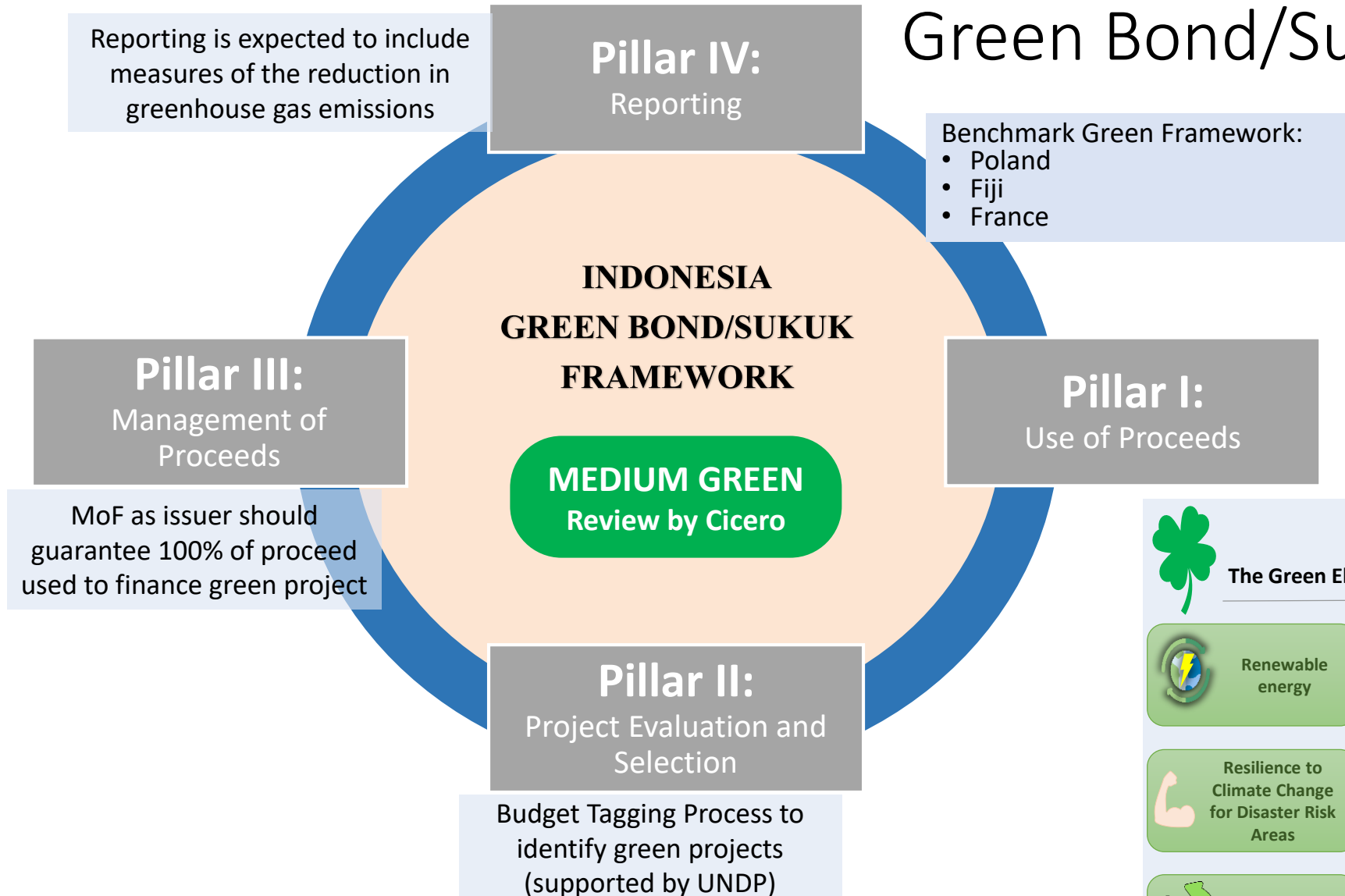


## Green sukuk as financial solution

- Global Sukuk issuance volume increase significantly around \$98 billion in 2017
- An innovative finance to close the national budget gap
- There is a potency to finance biodiversity project
- Indonesia is among the first issuance of sovereign bond



# Green Bond/Sukuk Framework



The Green Sukuk asset under 2018 issuance consist of

**51%**

of re-financing of 2016 project

**49%**

of new financing of 2018 project



## The Green Eligible Sectors according to Green Framework



Renewable energy



Use of Clean Technology for Power Generation



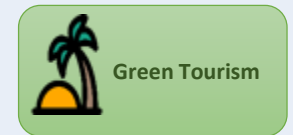
Sustainable Natural Resource Management



Resilience to Climate Change for Disaster Risk Areas



Sustainable Transportation



Green Tourism



Sustainable Agriculture

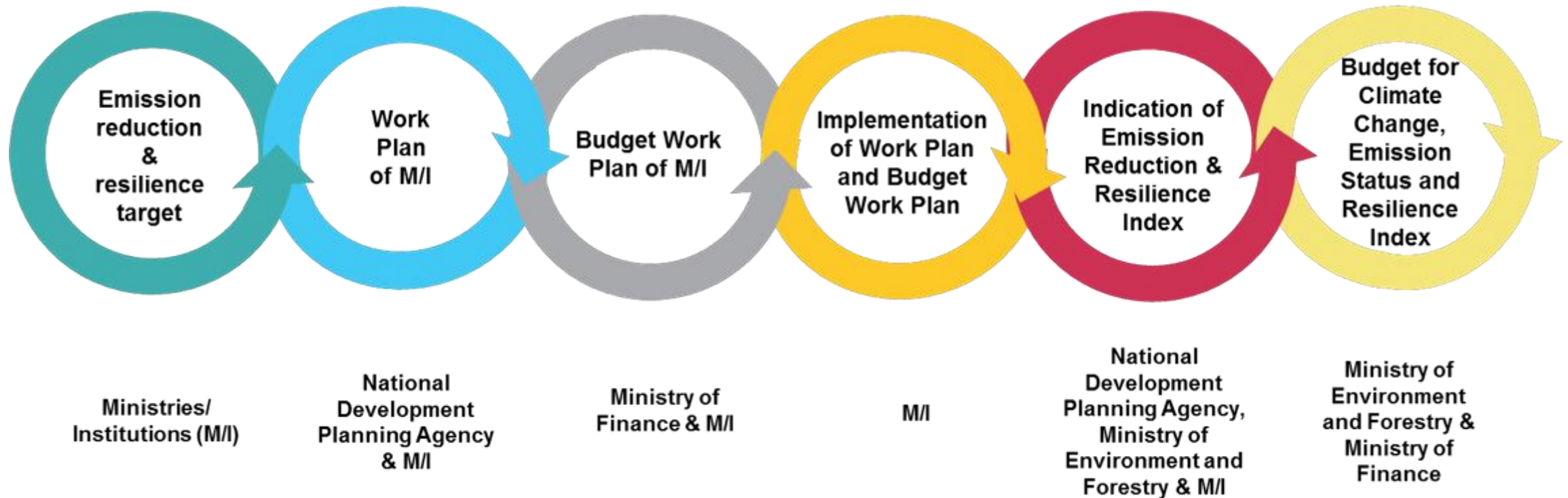


Green Building



Energy and Waste Management

# The flow of budget tagging process on planning and budget cycle



# How to determine eligible project?

Underlying asset should be tagged as capital expenditure

Capital expenditure is expenditure for the acquisition of assets and / or adding value to fixed assets / other assets that benefit more than one accounting period and exceed the minimum capitalization of fixed assets / other assets set by the government

*(Ministry of Finance regulation No. 108/2018)*



"Eligible Green Projects" refer to projects which promote the transition to low-emission economy and climate resilient growth, including climate mitigation, adaptation, and biodiversity

# Example of Selected Project (2016)

## Transport: Sustainable Transport (Billion IDR)

Type of Projects	Brief Description	Amount Committed as at (date)	Project Lifetime	Target Results (GHG Emission Reduction)	Other indicator(s)	Line Ministry
Railway	<ul style="list-style-type: none"> <li>Double Track Railways in North Path</li> <li>Trans Sumatra Railways</li> <li>Jabodetabek Urban Railways</li> </ul>	2,138 2,846 1,014	>10 years >10 years >10 years	0.566 MT Co2 0.194 MT Co2 (estimate)	No. of passengers (person) Distance of Railways (km)	Ministry of Transportation

## Energy: Renewable Energy & Energy Efficiency (Billion IDR)

Type of Projects	Brief Description	Amount Committed as at (date)	Project Lifetime	Target Results (GHG Emission Reduction)	Other indicator(s)	Line Ministry
Solar Hydropower	<ul style="list-style-type: none"> <li>Solar Power Plants,</li> <li>Wind Power Plants,</li> <li>Microhydro Power Plants</li> </ul>	23,480 782 18,785	5 years 5 years 5 years	7374 Gg CO2 88529 Gg CO2 34706 Gg CO2	24,745 MW 20 MW 6,33 MW	Ministry of Energy and Mineral Resources



## Challenges

- Activities and output related to sustainable management of natural resource sector are few compare to climate mitigation related activities/output
- The amount of the budget from the Sustainable management of natural resources sector are still very small.
- This due to relevant ministry tagged output that has a direct impact on reducing GHG emissions only, and the absence of criteria and indicators as a guide for identification of biodiversity project

## Potential Project from Biodiversity Sector

Type of Project: Avoid or reduce carbon loss/ increase carbon sequestration

Activities: Conservation of Biological Resources

Output:

- Procurement of Ecotourism Facilities & Infrastructure for Forest Fire Control in Conservation Areas
- Procurement Conservation Areas Facilities for forest fire control in conservation areas inside and outside NP



# Next steps

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- Further identification of potential activities and involving other ministries related to habitat and biodiversity conservation, with reference from IBSAP documents and other related documents;
- Dissemination results of climate budget tagging and green sukuk activities to ministries and agencies to increase awareness and understanding
- Prepare the guidelines for determining habitat and biodiversity conservation project with relevant criteria and indicators





Thank you

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