Mr. Chairman,

Ministers, Excellencies, Distinguished Delegates,

Ladies and Gentlemen,

I have the honour to share with you all at this UN regional body for Asia and the Pacific, what Indonesia has been doing to promote social enterprise and impact investing.

Indonesia has a relatively high number of social entrepreneurs (±1400 units), especially those in agriculture sector, healthcare sector, and the creative industry. Most of these are still in the seed and venture stages. They have much room to grow, especially in the sustainable agriculture, financial services, and renewable energy sectors.

Indonesia has startup-friendly culture, emerging support ecosystem and a long history of combining a social and profit-seeking mission among Indonesian firms. Meanwhile, we face some challenges; there are infrastructural difficulties in accessing market, need for specific policy toward social enterprises sector, limited access to finance for early social enterprises, and also potential funding options are not a great fit for social entrepreneurs.

The government has been active in exploring ways to support entrepreneurs and MSMEs that can also be accessed by Social Enterprises in some aspects: regulation and policy, finance, and human resource development. Actually, there is no specific regulation for social enterprises, but relevant regulations and policies include development of MSMEs, cooperative, creative economy, digital economy, small-scale industry, tourism, and other relevant sectors.
The increasing number of social entrepreneurs signaled the urgency to put impact investment as national priority because social enterprises face financial support in the early stage and more challenging in the later stage (scale-up the business).

In ASEAN, Indonesia is in the first position as the country with the largest amount of capital invested by development finance institutions and the second position as the country with the highest amount of capital invested by private impact investors.

Several challenges faced by impact investing in Indonesia. On the supply side, the challenges are dependence on foreign capital, limited presence of local investors, and lack of evidence returns and returns exits. Then, on the demand side, we are challenged by dependence on grant capital, a nascent entrepreneurial culture, and also limited awareness of impact investors. Furthermore, the challenges from the ecosystem side are lack of sector-specific expertise, limited sustainability in matchmaking, and currency risk.

However, there are also many opportunities for impact investing that can be reached in Indonesia. On the supply side, we have the potential to mobilize local capital, early stage funding opportunities, and the potential to explore hybrid capital models. Next, on the demand side, the potential can be knowledge transfer from other countries and investment in health. An opportunity for the ecosystem is to support capacity building for investment managers and the establishment of a national agency for the impact investing industry.

We keep trying to strengthen social enterprises. In the nearest plan, there are some actions: (i) Facilitate the mainstreaming of social values into government policy and program, financial institution, and investment based on sound evidence; (ii) Expand the Knowledge Center to promote replication of successful social entreprise model; (iii) Strengthen social entrepreneurs and their capabilities: attracting and nurturing talent, including in universities; (iv) Increase the capacity and impact of enablers: collaborating with accelerators in promoting social entrepreneurship; and (v) Continue working with the parliament for the entrepreneurship law, which includes social enterpreneurship.

Learning from other economies, we want to create better ecosystem to support social enterprises: providing specialist support, incubators and pre-startup support, and
developing SE leaders. Then we will facilitate the diversification of finance for social enterprise: grants, social investment, loans, social impact bonds, equity investment, crowd funding. Moreover, we will promote social enterprises at regional level to build sound evidence and shape policy on a national level.

Excellencies,

Distinguished Delegates,

Social enterprise fits with the idea on how business can play a pivotal role in delivering social, economic, and environmental results for people’s welfare. They can offer an inspiring model and mechanism to achieve shared objectives for more equitable and sustainable development.

Social entrepreneurship has become a new pattern in Indonesia. They are not just looking for just profit, but they are also looking to the empowerment of the people. We need to increase the number of social entrepreneurs in every part of Indonesia, especially in agriculture and fishery sectors, because most of poor people in Indonesia are farmers or fishermen.

We can say that social enterprise is an agent of development. By promoting social enterprises, we can provide opportunities for an individual, communities and organizations to improve their wellbeing and to contribute to development. We can also improve the efficacy of development process through collaboration. Moreover, social enterprises will help promoting socio-economic and environmental innovation, improving the results and impacts of development, and finally promoting youth and community development.

Those can be reached in some reasons. First, social enterprises have social impact as their main objective and contribute to tackling social issues. Second, social enterprises use a social-mission-embedded business model, balance their profitability and social impact, and reinvest in the enterprise. Therefore, they offer sustainable support, outreach, impact and
independence. Third, social enterprises work at grass-root or close to their customers. Thus, they offer a great fit model and promote social inclusion.

Ladies and Gentlemen,

The government of Indonesia would like to ask UNESCAP to support us in developing National Advisory Board for Impact Investing (NAB) concepts. NAB expected to serve as a platform to promote impact investment. NAB will collaborate with public sectors, investor, asset manager, intermediaries, NGO, and private sectors to solve social, economic, and environmental problem using financing support which focused on improving program efficiency and lasting impact creation.

Another support is co-design to develop social-impact investment schemes. We believe that social impact financing initiatives is the suitable solutions to tackle financial access problems.

Excellencies,

Distinguished Delegates,

Government around the world can work together and promote peer-to-peer learning to improve capabilities in responding to the need of social enterprises. In regional, we hope that UNESCAP could magnify the Impact of Support Agencies through establishing collaborations to foster a social entrepreneurship ecosystem (collaborative knowledge collections, information networks, regional expansion).

Thank you.