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4th AIFC Proceedings

ANNUAL ISLAMIC FINANCE CONFERENCE

JW Marriott Hotel Surabaya, July 24 - 25 2019

Blending Islamic Finance and Impact Investing for the SDGs



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Proceedings

4th Annual Islamic Finance Conference

**Blending Islamic Finance and Impact Investing
for the SDGs**

Surabaya, Indonesia, 24th – 25th of July 2019

Fiscal Policy Agency

Ministry of Finance

2019

Proceedings

4th Annual Islamic Finance Conference

Blending Islamic Finance and Impact Investing for the SDGs

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LIST OF ABBREVIATIONS

4th AIFC	The 4 th Annual Islamic Finance Conference
APBN	Anggaran Pendapatan dan Belanja Negara/ State Budget
BAZNAS	Badan Amil Zakat Nasional/ National Zakat Board
BPKH	Badan Pengelola Keuangan Haji/ Hajj Fund Management Agency
BWI	Badan Wakaf Indonesia/ National Waqf Board
G2G	Government to Government
GCC	Gulf Cooperation Countries
GDP	Gross Domestic Product
IAEI	Ikatan Ahli Ekonomi Islam/ Indonesian Association of Islamic Economists
ISDB	Islamic Development Bank
INCIEF	International Centre for Education in Islamic Finance
IRTI	Islamic Research and Training Institute
KNKS	Komite Nasional Keuangan Syariah/ National Committee of Sharia Finance

LPS	Lembaga Penjamin Simpanan/ Indonesian Depository Insurance Corporation
MDB	Multilateral Development Bank
MSME	Micro, Small, And Medium Enterprises
OECD	Organization for Economic Cooperation and Development
OIC	Organization for Islamic Cooperation
OJK	Otoritas Jasa Keuangan/ Indonesian Financial Services Agency
OPHI	The Oxford Poverty and Human Development Innitiative
PPP	Public Private Partnership
SDG	Sustainable Development Goals
UAE	Uni Arab Emirates
UNDP	The United Nations Development Programme
USD	United States Dollar

PREFACE

All praise is due to Allah the Exalted for this successful event, “The 4th Annual Islamic Finance Conference” that had been held from 24-25 August 2019 in Surabaya. This annual event was aimed to drive the role of Islamic finance in economic development, by inviting academics, policymakers, practitioners, and other stakeholders to discuss about specific issues in Islamic finance. For this year, the topic of the conference is “Blending Islamic Finance and Impact Investing for SDG’s”. By choosing that topic, we hope that this conference can promote discussion on the application of theory, models, and instruments of Islamic finance and impact investment to achieve SDG’s.

Every year, we tried to improve the quality of the event and make some additions on it. In the 3rd AIFC last year, we initiated Call for Paper competition, but without any followed up for the best papers. This year, we followed up the best articles by publishing them in an academic journal and proceeding. With that measure, we hoped that Islamic finance experts would produce more and better studies in the field of Islamic finance. That will be very beneficial not only for the academic matters but also for the policymaking process.

Finally, we would like to thanks to Directorate General of Budget Financing and Risk Management, the National Committee of Islamic Finance (KNKS), Indonesian Association of Islamic Economists (IAEI), Islamic Development Bank Group (IsDBG), United Nations Development Programme (UNDP), World Bank Group, Refinitiv, Airlangga University, and other parties for all the supports. We hope that ideas and insights gained from this conference will benefit the

Islamic finance industry in particular and the Indonesian economy in general. We look forward to seeing you again next year. May Allah give us guidance and wisdom. Amen.

Jakarta, September 2019

A handwritten signature in blue ink, appearing to read 'Nazara', with a small horizontal line underneath.

Prof. Suahasil Nazara
Chairman, Fiscal Policy Agency

EXECUTIVE SUMMARY

The main objective of this two-day conference is to promote discussion on the application of theory, models, and instruments of Islamic finance and impact investment to achieve SDGs. Furthermore, the conference aims to discuss the contribution and collaboration between Islamic finance and impact investing of the OIC member countries and the impact on the role of Islamic finance for sustainable development.

The first day of the conference discusses how impact investing can help in achieving SDGs and the opportunities and challenges of the collaboration between impact investing and Islamic finance. The second day of the conference emphasizes the application of blending between impact investing and Islamic finance, the opportunities of social Islamic finance to support impact investing, as well as the role of government in blending Islamic finance and impact investing.

Session one of the conference “What is The Impact Investing and How It Can Help in Achieving SDGs” discusses the concept of impact investment in general, including the operating principles, best practice experience, and the case of impact investment in Indonesia. The session highlights the urgency to attract private sectors to contribute to the SDGs goals accomplishment. One of them can be done through impact investment, i.e. an investment which made into companies, organizations, and funds intending to generate social and environmental impact alongside a financial return. Indonesia has a significant amount of impact investment opportunities. It is estimated that from 2019 through 2023 Indonesia has USD 23 billion in impact investment opportunities. The energy sector has the

biggest opportunities, followed by agriculture and fisheries sector. The government can play an important role to make those potential to become reality, such as minimizing currency risk, giving a tax incentive to attract investors especially foreign investors, etc.

Session two discusses the opportunities and challenges of Islamic finance for impact investment. Islamic finance is very suitable for impact investment since both of them have many similarities. As in impact investment, Islamic finance also has a great concern about social welfare. The Islamic finance principle to avoid usury (riba), deception (gharar), and gambling (maysir), is one example of how Islamic finance cares about the social effect of financing activities. Although to push the collaboration of Islamic finance and impact investment is not easy task, especially because of the literacy issue that is faced by both Islamic finance and impact investment, the collaboration between Islamic finance and impact investment can be at least be developed in the form of Islamic microfinance, *Green Sukuk*, and productive waqf.

Session three elaborate the technical aspect to implement Islamic finance for impact investment, consist of the platform, instruments, risks, opportunities, mitigation strategies, and fatwa support. Many countries have practiced Islamic finance for impact investment with different instruments. To mention some, there is the *Green Sukuk* in Indonesia, renewable energy Islamic financing in Pakistan, and sustainable Islamic FinTech in Bahrain. Regarding the fatwa support, National Sharia Board, The Council of Indonesian Ulama (MUI) have published several fatwas that are relevant for the Islamic finance for impact investment, such as fatwa on: ultra micro-financing, waqf insurance, national health insurance, Islamic tourism, Islamic hospital, and non-halal returns.

In the session fourth “Islamic Social Finance and Impact Investing”, there was a discussion about best practice and implementation of Islamic social finance, particularly cash waqf, which has the opportunity to support impact investing. Islam as a religion and way of life have unique tools to handle social issues, namely waqf, zakat, infaq, and shodaqah. Waqf, if it is administered well, can become an important source of fund to create social and environmental wellness. One good example of waqf management can be learned from what Social Islamic Bank Limited (SIBL) Bangladesh did. SIBL has cash waqf scheme where wakif transfer their cash waqf to SIBL who then invested it in getting some profit. Return of the investment then distributed to areas chosen by wakif, such as for family rehabilitation, education and culture, healthcare and sanitation, as well as social utility service like legal aid for the poor.

Finally, the last session (session 5) discusses the role of government to support Islamic finance for impact investing. The key player in Islamic finance for impact investment is private sectors, but the government can play a role as a catalyst. Some areas where the government may contribute are developing a master plan, creating an innovative scheme, mobilizing social fund, and giving tax incentive. Even, the government can play a role as an investor to initiate the development of Islamic finance for impact investment.

This conference also gains benefit from lectures delivered by two prominent speakers and enriched by the call for paper program in which 9 (nine) best papers were selected and presented parallel to the event. The keynote speech was delivered by Indonesian vice Minister of Finance, Executive Director of The National Committee of Islamic Finance (KNKS), and Director General of Country Relations and Services Islamic Development Bank, marking the long and sustained cooperation between the Indonesian government and the bank. Meanwhile, in the closing remarks, Assistant of Minister of

Finance for Government Expenditure expressed his belief that Islamic finance and impact investment hold great potential in Indonesia for advancing the development of Islamic finance and achieving SDGs.

INTRODUCTION

Background

United Nations Conference on Trade and Development (UNCTAD), through the World Investment Report 2014, has estimated that to achieve all the 17 Sustainable Development Goals, developing countries still encounter investment shortfall about \$2.5 trillion per year. This shortfall cannot be fulfilled only by traditional investment model, therefore there is a need to make innovation and attract more the involvement of private sectors. One of the innovations comes in the form of so called impact investment.

According to the Global Impact Investing Network (GIIN), impact investments can be defined as investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. GIIN estimated that asset under management (AUM) of impact investment in 2018 was US\$ 239 billion, or increased 5% compared to AUM in 2017, which amounted US\$ 228 billion. Different types of investors were involved in impact investment, especially foundations, family offices, and banks. Some other investors like sovereign wealth funds, pension funds, and insurance companies also showed growing interest.

Impact investment in practice can use either conventional or Islamic finance. However, Islamic finance may be able to play a bigger role in impact investment. That is because impact investment and Islamic finance share common principles. First, both impact investment and Islamic finance aim to achieve good things and avoid harm. Impact investment has social and environmental objectives, while Islamic

finance has Islamic principles with a strong social and environmental value like the prohibition of selling harmful goods such as cigarettes and alcohol, as well as the obligation for Islamic industry players to pay *zakat* (religious obligation for moslems wo meet the necessary criteria of wealth).

Second, both impact investment and Islamic finance attain business goals in a way to also benefit the society as a whole. One of the most popular Islamic principles is the prohibition of interest (*riba*), which is considered creating unfair business relation between financial companies and their consumers. As an alternative, Islamic finance uses profit sharing mechanism, which is thought to be fairer and give more benefit for the consumers or society in the end.

In addition, Islamic finance has an advantageous position to support impact investing not only due to the similarities and shared principles between the two, but also for other reasons. Islamic finance proposes a unique social fund that is very potential to support impact investment, namely cash waqf. Cash waqf is an Islamic endowment in the form of cash or liquid asset. Similar to waqf, the value of the collected cash in the cash waqf should be preserved. However, the cash waqf manager (*nadzir*) is allowed to invest and make a profit from the preserved cash. Then, the *nadzir* can use the accumulated profit to fund other activities that bring benefit to society like to provide better sanitation and access to clean water, improve mothers and children nutrition, etc.

Moreover, millennial generations in Muslim-majority countries like Indonesia, Malaysia, Pakistan, and GCC countries have a great concern to environmental sustainability and social issues. Some of them have successfully initiated platforms which focus on social activities like Blossom Finance and Angel Investment Network Indonesia. Developing Islamic finance for impact investment in those

Muslim-majority countries will bring excellent opportunities and acceptance.

In Indonesia itself, the blending of Islamic finance and impact investment was realized, especially in the form of *Green Sukuk*. Introduced since 2018, the proceeds of *Green Sukuk* has successfully funded 121 units of solar, mini-hydro and micro-hydro power plants, 727 kilometers double-track railways, and solid waste management for 3.4 million households.

Although Islamic finance has obvious opportunity on impact investment, in reality, the contribution of Islamic finance in impact investment is still limited. The biggest challenge may come from the low levels of awareness either about Islamic finance or impact investment, besides some other challenges like narrow investment universe, small and illiquid investment, and underdeveloped Islamic hedging instruments.

Objectives

The main objective of the conference is to promote discussion on the application of theory, models, and instruments of Islamic finance and impact investment to achieve SDG's. Furthermore, the conference aims to discuss the contribution and collaboration between Islamic finance and impact investing of the OIC member countries, and the impact on the role of Islamic finance for sustainable development.

There are questions that are expected to be discussed intensively during the conference titled "Blending Islamic Finance and Impact Investing for SDG's", among others:

- a) What is impact investing?
- b) How impact investing can help in achieving SDGs?

- c) What is the correlation between impact investing and Islamic finance?
- d) What are the opportunity and challenge in collaboration between Islamic finance and impact investing?
- e) How to make blending Islamic finance and impact investing works?
- f) How can the Islamic financial instrument including sukuk and cash waqf support impact investing?
- g) What is the role of government to support Islamic finance for impact investing?

Organizer and Counterparts

The organizer of this conference is the Ministry of Finance in cooperation with the Islamic Development Bank Group (IsDBG), the National Islamic Finance Committee (KNKS) and the Indonesian Association of Islamic Economist (IAEI). This conference is also supported by the Faculty of Economics and Business, Airlangga University, Surabaya.

Target Audience

The conference is expected to have approximately 300 participants from academia, sharia scholars, relevant ministries, government agencies, domestic and international private sector, local government, development partners (bilateral and international organizations), professional associations, key industry players, non-profit organizations and media. The event will also bring young and talented scholars who have given considerable interest and works in the development of Islamic economics and finance.

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PARTICIPANTS



The number of participants in the 4th AIFC was 321, with the proportion of 56 percent are male and 44 percent are female. Participants aged 31-40 years dominated. Furthermore, participants with Masters degree are 52 percent, Doctoral 28 percent, Bachelor 17 percent, and Diploma 3 percent. The participants came from various institutions, namely academics 44 percent, government agencies 43 percent, private sector 11 percent, and others 2 percent.

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WELCOMING REMARK

Dr. H. Emil Elestianto Dardak, M.Sc,
Deputy Governor of East Java Province

In his welcoming remark, Emil E. Dardak highlighted the potential of East Java Province. With an area of 48.000 km² and a population of almost 40 million people, East Java Province held tremendous economic potential.

Nevertheless, an investment should not only generate profit but also gives for the people. The Provincial Government had formulated the vision and missions of East Java Province, one of which was the creation of workers through education and training, specifically economic education.

Meanwhile, the contribution of the industry sector to the economy of East Java Province was quite significant, followed by the trading, agriculture, and 14 other sectors. Going forward, the Provincial Government wanted to further increase the contribution of services and industry sectors, rather than the agricultural sector.

Emil E. Dardak expressed the interest of the Provincial Government to develop Madura Island and transformed it into an Islamic finance center, completely supported by the required facilities and halal tourism. He then added that the support for Islamic finance could also be seen from the establishment of an Islamic Business Unit within Bank Pembangunan Daerah Jawa Timur, the regional development bank for East Java Province.

Furthermore, several challenges had been identified in the efforts of developing Islamic microfinance in East Java. Among others, those challenges included limited types of product and source of funding, inadequate capital, lack of adequate supervision, low-quality human resources, as well as low level of literacy on zakat and waqf.

Ayu Sukorini

Kepala Pusat Kebijakan Sektor Keuangan

Ayu Sukorini explained that impact investing was selected as the topic of the 4th Annual Islamic Finance Conference due to a growing interest on impact investment, which was in line with Islamic finance, where ethics or moral principles become the foundation for every aspect of economic activities.

The two days seminar of AIFC was organized into five-panel sessions, each of which presented prominent speakers discussing varying topics on impact investment. In addition, there were also lectures delivered to update the participants on the current stage of impact investment and in what way the recent development of blockchain technology adapted.

Parallel with the two days seminar was the Call for Paper event, held in collaboration with Airlangga University. The best nine papers were presented during the parallel session on the first day of the event.

Ayu Sukorini closed her remark by thanking all parties that had been involved in the organization of the 4th AIFC.

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KEYNOTE SPEECH

H.E. Dr. Walid Abdelwahab,

Director-General, Country Relation and Services Islamic
Development Bank

Indonesia has a unique opportunity to be a champion of Islamic finance. Indonesia, as the largest Muslim country, endowed with vast natural resources and a strategic geographic location, offers great potential for economic growth and countless opportunities for Islamic finance industry.

With the recent numerous actions taken by the Government of Indonesia and strong political will, Dr. Abdelwahab was confident that Islamic Finance industry will grow into a strong and sustainable sector, while maintaining many of its unique products and services. Indonesia has been consistently ranked among the top ten countries, recognizing its leading role in Islamic Finance industry.

In many ways, the principles of Islamic finance and impact investing are mutually compatible. The collaboration between these two sectors represents an unprecedented opportunity for putting the world on an inclusive and sustainable course of development. Blending the potential of Islamic finance and impact investing can mobilize additional resources of finance for sustainable development, increase the social, environmental and financial impact of investments through increased coordination, and accelerate progress towards the 2030 Agenda.

The principles of Islamic finance and impact investing have many common denominators: First, Islamic Finance and Impact Investing are value-based investment structures. Second, through Islamic

Finance and Impact Investing, investors associate themselves with a moral purpose in avoiding harm. Third, the joint force of Islamic Finance and Impact Investing provides access to finance for people who are directly or indirectly kept out of the formal financial sectors. Fourth, they have a common objective which is to promote the wellbeing of all humankind. Although both sectors recognize the need of investors to earn acceptable returns, these returns constitute only one dimension of investment. More importantly, both Islamic and impact investors seek to create positive non- financial value alongside financial returns to support society- and environment- friendly systems.

The cost of maintaining sustainable economic growth is rising at an alarming rate. The United Nations adopted the 2030 Sustainable Development Goals to help countries overcome these challenges. The infrastructure financing gap alone amounts to about US\$3 trillion a year. In the Bank's 57 member countries, financing SDGs requires between US\$700 billion and US\$1 trillion a year. The financing gap is expected to widen further by 2030, with the expected increase in the population of our member countries (from 1.7 billion to 2.2 billion by 2030). However, the lack of financial resources is not the only challenge to achieving the SDGs. We also need proper incentives and motives to direct economic activities towards the common good. These common incentives and motives are where the joint force of Islamic Finance and Impact Investing can make a difference: they both can present a model of ethical, impactful and responsible financing and set an example for other partners in finance and development industries.

Aligning markets to moral standards (or making markets work for development) is not a trivial task, and this is where innovation is needed. The Fourth Industrial Revolution could be of great help in this

alignment. For example, blockchain technology could significantly enhance financial inclusion, economic empowerment, transparency and proper governance. That is why the IsDB Group is working tirelessly to transform the Bank from a development bank into a bank for development and developers. The Bank aims to act as a catalyst for development rather than merely providing finance for development projects.

Since inception, the IsDB Group net approvals amounted to US\$134 billion. Besides direct financing and investments in the Islamic finance sector, IsDB Group contributes to the development of Islamic finance industry through its research and training arm (IRTI) and the three leading operational arms, namely, ICD – private sector development, ITFC – trade financing, and ICIEC – investment and export credit insurance.

In Indonesia, the IsDB Group provided over USD 5 billion financing, 60% of which went to development projects in agriculture, education, industry, transport and energy. The other 40% went to support trade financing, in addition to private sector financing and insurance. The Bank is also a regular investor in Indonesia's SUKUK, investing over USD 1 billion to support the domestic Islamic Capital Market.

While taking pride in IsDB's 40 years of epic achievements, Dr. Abdelwahab realized the critical need for change to be able to confront the challenges we and our member countries are now facing. To achieve these objectives, a new roadmap has been rolled out under the "President's Five-Year Program" focusing on delivery and adoption of a more dynamic, proactive, and result-oriented approach. The Bank's strategy stands on four pillars:

- a) Value chain-centered development approach;

- b) Partnership with local, regional, and international organizations sharing common vision and objectives;
- c) Mainstreaming innovation at all levels of the development process; and
- d) Adopting the principles of Islamic finance.

The new model will enhance the relevance of the Bank to member countries and make it a more proactive, fast and adaptive development institution. Despite its double-digit growth, Islamic finance still needs to address the criticism of its failure to deliver on its promises on fairness, equity, and inclusion. There is also a genuine demand and opportunity to redirect innovation towards services and products that create more economic opportunities, jobs, and financial inclusion, in line with Maqasid Al Shari'ah. Islamic finance must stop pursuing an agenda of emulating a permissible version of conventional finance with little attention to the broader purpose and objectives of an Islamic economy. Instead, it must focus four inter-related factors:

1. Innovate products that go beyond tweaking existing contracts to deliver what is being aspired by the market. Islamic financial products should be able to provide a true differentiation and real value addition to addressing the social and economic challenges faced by the Muslim and broader world.
2. as Islamic finance and impact investing expand to new markets and jurisdictions, and get more connected to the global Islamic economy, harmonization of legal and regulatory rules will become even more critical.

3. The fundamental essence of Islam is its universality and the fact that it transcends time, place, and people. Islamic finance is grounded on the principles of justice, fairness, compassion, equity, risk sharing and inclusion.

Finally; as the world has signed up to the SDGs, Islamic finance cannot afford to miss the opportunity to prove that it can contribute to achieving some of SDGs in a meaningful manner, such as poverty eradication and reduced inequalities.

Christophe Bahuet,

Resident Representative of UNDP Indonesia

The achievement of the 2030 Agenda requires substantial financial and technical resources. The gap in financing for the Sustainable Development Goals (SDGs) in developing countries is currently estimated at \$2.5 trillion every year. This is beyond the scope of individual governments or Official Development Assistance (ODA) and it requires a broader alliance of partners, new voices, and new perspectives, including from both public and private sectors to jointly support development efforts. Indonesia is a perfect example of a government actively pursuing.

Islamic finance, as one of the fastest growing sectors in the global financial industry, provides a unique opportunity for innovative financing solutions. Islamic finance stands for values of inclusion, values of solidarity, value of compassion. Forecasts indicate that Islamic finance assets are expected to reach a staggering \$3.8 trillion by 2022. Islamic finance principles are highly aligned with the SDGs with a strong emphasis on inclusiveness and a broad understanding of business-society relations. Forging new partnership in this area will be essential to provide the much-needed reinforcements to finance and implement 2030 Agenda.

UNDP is committed to maximizing the opportunity to leverage Islamic finance, to make sure that 'We Leave No One Behind' by 2030. Globally, UNDP in partnership with other parts of the UN have already begun to engage member countries and external partners on Islamic finance – tapping into both commercial and social finance tools – in innovative ways. In Palestine, UNDP is facilitating the mobilization of funds for small and medium-sized enterprises through Islamic microfinance. In Turkey, UNDP is exploring new ways to blend Islamic finance with crowdfunding through blockchain technology to support refugees. In Bahrain, we have launched a new MoU with Al-Baraka Bank on SDGs alignment.

Here in Indonesia, UNDP established the Innovative Finance Lab which is a dynamic new country platform for the SDGs. The Lab operates as a collaborative space for Government, the private sector, investors and entrepreneurs, religious organizations, civil society, other UN agencies, and other interested stakeholders to engage and develop solutions for financing the SDGs. It maps and analyzes financing gaps and opportunities, co-designs and tests new financing solutions, helps to align investments with SDGs as well as measuring progress and evaluating impact. The Lab has a growing Islamic finance portfolio.

Under the Lab, we have been working closely with Ministry of Finance in creating the public financial reforms necessary to leverage Islamic finance at scale through the issuance of the world's first international sovereign green sukuk which to date has raised \$2 billion to finance Indonesia's climate change actions. UNDP Indonesia has partnered with BAZNAS – the National Zakat Board – to apply zakat funds, for the first time ever, towards local SDGs implementation beginning with the development of micro-hydro power plants. As a result, more than 4,000 villagers in a remote part

of Jambi are now enjoying access to renewable energy. We are also working with Badan Wakaf Indonesia, to collaborate on SDGs and develop a digital platform for waqf endowment contributions.

Impact Investment fits very well into this picture. According to The Global Impact Investing Network (GIIN) the size of the global impact investing market is around \$502 billion. Based on GIIN report in 2018, Indonesia is the largest market for impact investing in the Southeast Asia region. Private Impact Investors have deployed \$148.8 million and Development Finance Institutions have deployed 43.6 billion in impact capital. Impact investing, therefore, provides an enormous opportunity to bring businesses interested in generating positive, measurable social, and environmental impact alongside financial returns into partnerships that deliver on the 2030 Agenda and SDGs for Indonesia.

UNDP Indonesia's Innovative Financing Lab is also establishing an ImpactAim Ventures Accelerator in partnership with 500 Startups. The objective is to drive enterprise development that delivers on the SDGs and we look forward to scaling this initiative up through wider partnerships including linking with Islamic financiers.

UNDP and the Islamic Development Bank (IsDB) have a strong partnership through the Global Islamic Finance and Impact Investing Platform (GIFIIP), established in 2016. The platform provides market-based solutions to development challenges and to position Islamic finance impact investing as an enabler of SDG implementation. Through this platform, UNDP and Islamic Research and Training Institute of IsDB jointly produced a report, "I for Impact: Blending Islamic Finance and Impact Investing for the Global Goals" in 2017. The report articulates the similarities and synergies between Islamic finance and impact investing and thus creates an enabling business ecosystem for the SDGs.

The GIFIIP has also developed an Islamic finance and impact investing training program to help Islamic finance actors to build their capacities to seize SDGs investment opportunities. UNDP Indonesia and the Ministry of Finance hosted such training on Islamic financing and impact investing which brought Islamic financiers and impact investors together within a win-win framework to support the SDGs.

It is clear that there are already many synergies in relation to Islamic finance and impact investment to build on. By the end of the conference, we can have more clarity and identify new directions on how to engage Islamic finance and impact investing more productively for SDGs and global goals. As UNDP Indonesia, we remain committed to supporting the Government of Indonesia, and all relevant stakeholders to deliver effective development solutions and meet the SDGs.

Prof. Dr. Mardiasmo, MBA.,Akt.

vice Minister of Finance of Indonesia

Pada bulan September 2015, seluruh negara anggota Perserikatan Bangsa-Bangsa (PBB) sepakat untuk mengadopsi sebuah paket tujuan untuk mengakhiri kemiskinan, dan memastikan kesejahteraan untuk semua sebagai bagian dari Agenda PBB 2030. Ketujuhbelas tujuan dan 169 indikator di dalam SDG begitu luas dan ambisius, meliputi sejumlah isu yang dapat mempengaruhi negara-negara di dunia, baik negara maju maupun negara berkembang.

Untuk mencapai 17 Tujuan Pembangunan Berkelanjutan (*Sustainable Development Goals/SDGs*), United Nations Conference on Trade and Development (UNCTD) memperkirakan adanya kekurangan investasi sekitar 2,5 triliun Dolar Amerika Serikat per tahunnya. Dana tersebut merupakan dana yang sangat besar, dan

tidak dapat dipenuhi hanya dengan model investasi tradisional semata.

Banyak negaram termasuk Indonesia, telah menyatakan komitmen untuk mencapai tujuan-tujuan tersebut. Indonesia, sebagai salahsatu negara berpendapatan menengah yang sedang mencoba untuk menjadi negara maju, meiliki sejumlah prioritas pembangunan nasional yang berkesesuaian dengan Agenda SGD. Namun demikian, Indonesia juga mengalami persamalahan yang sama untuk memenuhi kebutuhan anggaran untu pemenuhan target SDGs. Mardiasmo menjelaskan bahwa Pemerintah Indonesia telah mengembangkan skema pembiayaan inovatif untuk mengatasi masalah ini, termasuk dengan meningkatkan minat atas *impact investment* dan memadukannya dengan keuangan syariah.

Dalam praktiknya, *impact investment* dapat dilakukan menggunakan pendekatan keuangan konvensional atau syariah. Namun, keuangan syariah mungkin dapat memiliki peran lebih besar dalam hal *impact investment* karena keduanya memiliki beberapa prinsip yang serupa. Pertama, *impact investment* dan keuangan syariah sama-sama bertujuan untuk mencapai hal baik dan menghindari hal buruk. Kedua, *impact investment* dan keuangan syariah berupaya untuk mencapai tujuan bisnis dengan cara yang juga bermanfaat bagi masyarakat secara keseluruhan.

Mardiasmo mengusulkan sebuah dana sosial keuangan syariah unik yang memiliki potensi besar untuk mendukung *impact investment*, yaitu wakaf tunai. Tantangannya dalam hal ini adalah bagaimana nadzir (pengelola wakaf) dapat berinvestasi dan menghasilkan laba, sambil menjaga nilai aset. Lebih lanjut, terdapat beberapa instrumen lainnya di Indonesia yang memadukan keuangan Islam dengan *impact investment*, seperti *green Sukuk* dan *cash waqf linked Sukuk*.

Mempertimbangkan prinsip serupa antara keuangan syariah dan impact investment serta potensi keuangan syariah, keuangan syariah tentu memiliki peluang dalam mendukung impact investment. Namun demikian, tantangan utama adalah rendahnya tingkat literasi keuangan syariah dan impact investment, pasar investasi yang sempit, investasi kecil dan tidak likuid, serta instrumen lindung nilai syariah yang kurang berkembang.

Ventje Rahadjo Soedigno

Executive Director KNKS

Rahardjo berterimakasih kepada Kementerian Keuangan beserta panitia karena telah menyelenggarakan acara yang sangat menarik dan sukses. Beliau mewakili Menteri PPN/Kepala Bapenas dalam menyampaikan sambutan. Dia menceritakan tentang sejarah SDGs yang tujuannya untuk mempertahankan planet serta untuk mengakhiri kemiskinan dan ketimpangan pada akhir 2030. SDGs adalah agenda global. SDGs terdiri dari unsur-unsur *people, planet, prosperity, peace dan partnership*. Rahardjo menyatakan bahwa dunia telah berubah dan instrumen ekonomi harus memenuhi nilai moral. Isu seperti konsumerisme dan investasi bertanggungjawab sosial telah berkembang pesat saat ini disertai dengan perubahan paradigma dewasa ini. Ekonomi Islam memiliki nilai moral yang tinggi seperti ditunjukkan oleh konsumen terkait bagaimana beraktivitas yang sesuai dengan nilai-nilai Islam. Berdasarkan penelitian bahwa 66% investor mau terlibat pada investasi berkelanjutan atau investasi bertanggungjawab sosial. Dengan melihat tren tersebut, pemerintah Indonesia telah megadopsi SDGs pada rencana pembangunan nasional (RPJMN) yang mencakup pembangunan ekonomi, pembangunan sosial, keberlanjutan lingkungan dan *good governance*. Agenda mulia ini tentu memerlukan sumber pembiayaan tidak hanya dari pemerintah.

Menurut OJK (2016), terdapat kekurangan dana pembiayaan UMKM sebanyak Rp. 1.000 triliun. Ini mengindikasikan bahwa lembaga keuangan yang ada belum bisa memenuhi kebutuhan pembiayaan nasional. Agenda pembiayaan nasional memerlukan inovasi dari berbagai pihak selain pemerintah. Contoh skema pembiayaan lain adalah ZISWAF, CSR, crowdfunding, PINA, pasar modal, PPP, dan KPBU. Sementara itu, keuangan syariah mempunyai berbagai macam instrument seperti perbankan syariah; industri keuangan non-bank syariah yang terdiri dari BMT, Takaful, dan Perusahaan Pembiayaan Syariah; pasar uang dan modal seperti sukuk dan reksadana syariah; dan dana sosial keagamaan seperti ZISWAF. Instrumen-instrumen tersebut dapat dimaksimalkan dengan mengkombinasikan keuangan syariah dengan *impact investing* guna mempromosikan SDGs. Untuk mengembangkan ekosistem keuangan syariah, pemerintah meluncurkan Masterplan Arsitektur Keuangan Syariah Indonesia. KNKS diberi mandat untuk mempercepat, memperluas, dan memajukan pengembangan ekonomi syariah di Indonesia. KNKS juga ditugaskan untuk memperluas pengembangan industri halal di Indonesia untuk menjadi pusat ekonomi syariah di dunia. Empat strategi utama untuk mencapai visi tersebut adalah: Penguatan *halal value chain*, UMKM, keuangan syariah, dan ekonomi digital. Kolaborasi dari semua pihak sangat dibutuhkan untuk mencapai tujuan mulia SDGs. KNKS mendorong ide-ide dan inovasi untuk penggabungan investasi ekonomi konvensional dan syariah. Dalam pidatonya, KNKS meluncurkan bulletin INSIGHT yang berisi isu-isu perkembangan ekonomi dan keuangan syariah. Rahardjo berharap KNKS dapat mengambil peran yang signifikan serta kontributif untuk pengembangan keuangan syariah di Indonesia.

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PANEL SESSION 1: What is The Impact Investing and How It Can Help in Achieving SDGs

Discussion Chair: Dr. Rifki Ismal, Chief of Indonesian Association of Islamic Economist (IAEI)

1. Azam Khan, Country Manager for Indonesia, Malaysia and Timor-Leste - International Finance Corporation (IFC): Operating Principles for Impact Management

There are nine steps of operating principles for impact management. First, define strategic impact objective that consistent with an investment strategy. The manager shall seek to ensure that the impact objectives and investment strategy are consistent and credible for achieving the impact objectives through investment strategy. Second, manage strategic impact on a portfolio basis. The manager shall have a process to manage impact achievement on a portfolio basis. As part of the process, the manager shall consider aligning staff incentive systems with the achievement or result of impact as well as financial performance. Third, establish the manager's contribution to the achievement of impact. Contribution gathered through one or more financial channels. Fourth, assess the expected impact of each investment based on a systematic approach. The assessment should use a suitable results measurement framework that aims to answer the fundamental questions such as the intended impact and significant risk factor. Fifth, assess, address,

monitor, and manage the potential negative impacts of each investment. Sixth, monitor the progress. Seventh, conduct exits considering the effect on sustained impact. When conducting an exit, manager shall, in good faith and consistent with its fiduciary concerns, consider the effect. The timing, structure and process of its exit will have one sustainability of the impact. Eighth, review the document and improve decision. Last but not least, publicly disclose alignment with the principles and provide regular independent verification of the alignment of program. The conclusions of this verification report shall also be publicly disclosed.

IFC is one of an investment bank in the world. IFC can invest in various sectors and syndicate all transactions on one platform. IFC produces a reasonable rate, even if there is no return and no impact of investment, such as adopting employment and eliminating poverty. In Indonesia, IFC started in 1963 and supplied with funds from 2 billion dollars. IFC ensures that what IFC does has an impact such as in the water sector from Jakarta and Surabaya. Some other areas are the wind power sector and renewable energy. The philosophy of money is valuable to people and everyone. Investment motivation has an impact because it relates to the large population in the world. IFC ensures that there are impacts from the results of the investment. IFC also helps creating *Green Sukuk* in Indonesia which is now in good development. IFC principle in business is to have a positive impact. There are 300 million dollars of funds invested in IFC and IFC considers potential investments in the future.

2. David Soukhasing, Director Angel Investment Network Indonesia (ANGIN): Leveraging Private Finance for Public Good

Soukhasing shows several examples of startup businesses in Indonesia. They are mainly online business and have an impact on Indonesia. Soukhasing emphasized the importance of money and capital. ANGIN starts it individually and develop it gradually. ANGIN is a bunch of investors with crowdfunding mechanism. The company does not only achieve profit but empower the community. The flexible size makes it easy to work with other investors. But the potential of individual investors is not seen, for example in Indonesia, ANGIN is the only one who serve individual investors. The company catalyzes the capital of all parties. Investment is governed by social investment. The company distributes it to education. Companies try to improve their portfolio. Some policies that are needed are fewer incentives. The company strives to create a good ecosystem. In case of Malaysia, they are strongly supported by investment problems.

3. Joanne Manda, Senior Advisor for Innovative Financing UNDP: Impact Investing: What is Needed to Scale Up

UNDP is interested in contributing to the achievement of SDGs in Indonesia. The financial system is a center of the SDGs. There is a risk of climate change to the community. It is essential to know what the impact is and how to measure it. UNDP gave a point to obtain an investment of 129 targets. UNDP involves other sectors, such as the private sector. Investment is responsible for providing shareholder value. UNDP found business development at an early stage in MSMEs, and UNDP provides a platform to develop. Indonesia is a large and dynamic market for investment and there are many broad opportunities. One hundred forty-eight million in funding for the private sector in Indonesia. The Indonesian government has initiated to support an impact investment program. The financial system must

have a positive impact. MSMEs have financing challenges because of incompatibility with investors. A real example of investment finance is *ImpactAim* and *Bukalapak*. UNDP gives support and technical assistant to those two companies. UNDP provides advice on how to measure the impact of what they produce. UNDP also help and facilitate MSMEs to find the right investors.

4. Thierry Sanders, Chief Executive Officer, PT Mekar Investama Sampoerna: Impact Investing in Indonesia

Mr. Sanders felt lucky because the Dutch government has initiated the Impact Fund. He just discussed with many parties to invest in Indonesia but encountered several obstacles. These obstacles are usually the reason why foreign investors are reluctant to invest in Indonesia. There are twenty-three billion dollars of opportunity to invest in Indonesia in the private sector. Some attractive areas for investment are energy, energy, and agriculture. Those projects have chances to help increase the income of poor society in the next five years. He found challenges for impact investment in Indonesia. First is a currency risk, which is a hedging cost of 7-17 percent per year. The second thing is the cost of tax that reaches 20% which is very high, then the additional other tax which reached 25%.

5. Dr. H. Emil Elestianto Dardak, M.Sc, Deputy Governor of East Java Province: Impact Investing: Case Study East Java

Big Data will enable a more accurate and fast analysis in making East Java Provincial Government policies. Priority program for empowering SMEs is mandatory. The sectors include institutional, human resources, production, capital, and marketing. The economic structure in East Java consists of agriculture, industry, and others. The majority are small industries, the proportion is 50%. Impact investment is expected to create middle-class jobs and

entrepreneurs. Middle-class entrepreneurs must get incentives. Cooperatives and SMEs have a significant impact on the economy of East Java. In addition, the existence of an existing micro waqf bank helps the community.

Although many MSME businesses are struggling to get their monthly income, the growth of small-scale supermarkets will smash the market share of small grocery stores (*toko kelontong*) in the community. However, many believe that the existence of minimarkets in the village is still needed to make the region more developed. The community needs good and excellent service provided by those minimarkets.

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GUEST LECTURE 1

Blending Islamic Finance and Impact Investing for The Global Goals

Speaker:

Ms. Gulcin Salingan

Deputy Director of UNDP's Istanbul International Center for Private Sector in Development (IICPSD)

The world leaders agreed to succeed to SDGs, but SDGs cannot be realized without the private sectors. As we can see in 2015, the total annual investment needs are 3.9 trillion dollars while annual investment is 1.4 trillion dollars. The investment gap totals 2.5 trillion dollars. The aim of the SDGs is the ambition to be achieved. The goal of SDGs is for developing countries and it requires vast resources.

JP Morgan predicts that there will be 1 trillion dollars of investment in the future due to a strong awareness of social issues. Assets can create profits. Responsible investment is growing. Globally there is an incentive enjoyed by investors. Traditional philanthropy is not encouraging enough that there are many impactful investment opportunities. All resources are mobilized for this type of investment. Islamic finance encourages SDGS and financial inclusion. Islamic finance will support social justice and global goals. Islamic finance compatibility with the SDGs will be complementary in achieving human goals.

She explained the example of how the IsDB's role in investment was decided. In Islamic countries, Islamic investment is rarely found in that Islamic countries. The ecosystem approach is needed to develop

capabilities and to create a sustainable business model. The legal framework also needs to be made so that the business is strong. It needs to be understood how to attract foreign investors – parties involved in the government, private sector, and international organizations.

Blended investment is involving and requires a common vision from all parties. The standard investment measurement that contains the size of the impact will attract investors. Applicants must provide complete and transparent data. One example is housing investment, clean water and women's involvement in the business world. The combination of investment has the advantage of opening up greater market opportunities. Other benefits received double recognition from both parties. Islamic finance has a significant potential for the future as long as it has a fast operational step.

PANEL SESSION 2: Islamic Finance for Impact Investing: Opportunity and Challenges

Discussion Chair: Dr. Sutan Emir Hidayat, SP, MBA, Director of Research and Education

1. Dato' Prof. Dr Mohd Azmi Omar, President and Chief Executive Officer of the International Centre of Education in Islamic Finance (INCEIF): The Similarity between Islamic Finance and Impact Investing

The size of the Islamic investment market reaches 502 billion dollars in the world. The amount is only around 17% of the entire world Islamic financial market, which is around 3 trillion dollars. The potential of Islamic finance for investment is enormous. If the instruments of zakat, infaq, and alms are calculated, they will certainly be huge and massive. Prof. Omar stated that Islamic Finance and Impact Investing is like "A Match Made in Heaven". Both of the instruments seem to be created to complement each other. Some of these similarities include that they link to both business activities and social activities, aim to improve the welfare of the community, and promote inclusive finance. With the impact investing, Islamic financial actors are expected to no longer only focus on negative screening to avoid something that is *riba*, *gharar*, and *maisir* in business, but also to do positive screening to look for *halal* and *thoyyiban* investments. Furthermore, guidelines are needed that can be used to incorporate impact investing and Islamic finance.

2. Matthew Martin, Founder of Blossom Finance: Profit with Purpose Business: Blossom Finance Experience

Martin proposed that technology facilitates and accelerates loading and unloading of ships in international trades. Blockchain is an example of technology which can be applied to BMTs (Sharia cooperatives). BMTs can play a role in the achievement of SDGs. Many success stories that occur because BMT has succeeded in improving the standard of living of people through the Islamic loan schemes. However, BMTs on a small scale still experience seasonal liquidity problems, for example during the school season and Hari Raya. This is because investors/savers withdraw their money for these purposes. This is where sukuk can contribute through funding assistance to BMT cooperatives. However, usually there are still obstacles, such as the high operational costs, complex, and sometimes not widely accessible. One solution offered is the Blossom-Smart Sukuk scheme. It tries to remove the obstacle. Smart Sukuk will be offered by utilizing blockchain technology which can eliminate intermediaries in to create a standardized unit called a token which represents the ownership of the circle. The smart contract is basically a computer program that runs in the blockchain. Blockchain will record all transactions and simplify operations.

3. Dwi Irianti Hadiningdyah, S.H, M.A, Director of Islamic Financing, Ministry of Finance: Green Sukuk: Convergence of Islamic Finance and Impact Investing

Hadiningdyah told that the initiation of *Green Sukuk* started from the fact that Indonesia is a country with potential disasters such as drought, flooding, and climate change. Specifically, on the issue of climate change, up to 2030, Indonesia is committed to reduce environmental emissions by 29% to 41%, including trying to improve Indonesia's climate resilience. The program requires funds which

which will be funded through the issuance of *Green Sukuk* in March 2018 with transactions reaching US\$ 1.25 billion. The report of the project was completed in February 2019 and is considered to contribute to the success of the SDGs. As a challenge in the future, Government must encourage more issuance of new creative and innovative financing instruments, not only by the government but also by the private sector and SOEs.

4. Dr. Adiwarman Azwar Karim, MBA, MAEP, Karim Consulting Indonesia: Islamic Finance for Impact Investing in Indonesia

There must be an economic explanation of why charity is widely phenomenon. Karim stated that it was undeniable that the Government needed huge funds to fund projects that had a positive impact on the community (impact investing). One way of funding that the government has not yet come to one's mind is *sadaqah* (Islamic charity). The government can play a significant role in engaging people to finance big government projects. First, giving them a tax incentive on *sadaqah* (charity). This policy would boost up the people's will to give some charity. Secondly, the government can make a substantial gift to seed the project to convince people in such a way that attracts people to give their charities. As above mentioned, the role of leadership giving has a massive effect on society.

If these two recommendations fulfilled, then we shall see a massive wave of charity which will contribute to economic development. The charity will then be a lifestyle since the two of the main motives are satisfied. Therefore, the government's role in boosting up the people's behavior in giving charity is not that hard, yet easy but will take some periods for the adaptation to be pareto optimal.

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GUEST LECTURE 2

Blockchain Technology and Impact Investing for SDGs

Speaker:

Dr. Houssmen Eddine Bedoui

Islamic Finance Sector Development Department, IsDB

All the goals of countries in the world are to achieve the Millennium Development Goals. To achieve this, all governments need significant funds. Reports from the United Nations show that there is a need for funds reaching 2.5 trillion dollars. Based on reports released by the OECD DAC, it shows that in 2019, there have been about 228 billion dollars of assets in impact investment activities.

The first solution in achieving the SDGs is a charity or social finance. This social finance, either for individuals or companies that have the capital, can help the government solve the scarcity of funds to finance some projects that have a broad social impact.

Bedoui emphasized the Smart Social Impact Bonds (SSS) Project in Indonesia for Blockchain Waqf Sukuk Implementation. Indonesia has launched *Cash Endowment's Link Sovereign Bond*, or *Wakaf Link Sukuk*. Bedoui showed that there were several parties involved in the project, such as the National Waqf Board and the Ministries or Government Institutions. Both institutions, then make a Memorandum of Understanding (MoU) with investors. Investors here can be Banks, NBFIs, or the Central Bank. This product is then offered in the Islamic capital market and Sukuk market.

Bedoui also explained how the implementation of the *blockchain* took place in the project. The first one is that the investor has the effect of doing investment projects by establishing the Sukuk

Contract. Then the Sukuk activities will continue in the social business. Sukuk contracts can also be applied to donation contracts. The source of the donation contract comes from the philanthropic organization. Then both from the Sukuk contract and the social business report their activities to the Validator. The Validator records all investment outcome.

Bedoui divided the investor category into three. The first is *Impact Investors*, which their rights are sukuk return and sukuk profit. Investors focused resource utilization to some projects. The second type of investor is *Impact Investor and Temporary Wakif*. These investors have a focus on the use of capital, and they do not enjoy sukuk returns and only conceive on impacts. Then, the third type of investor is *Impact Investor and Permanent Waqif*. This type of investor can utilize capital and profit and they don't enjoy Sukuk return and have no principal.

The paradigm of investment has shifted from financial investment to responsible investment and sustainable investment, shifts to impact investment and philanthropic investment. Each of investment type has the characteristics and unique purpose.

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PANEL SESSION 3: Islamic Finance for Impact Investing: How to Make It Works

Discussion Chair: Prof. Raditya Sukmana, Head of Islamic Economics Department, Airlangga University

1. Ms. Gulcin, Director of UNDP's Istanbul International Center for Private Sector in Development (IICPSD): Global Islamic Finance and Impact Investing Platform

GIFIIP aims to create a synergy between Islamic finance and impact investment to achieve the goal of sustainable development until 2030. The GIFIIP's vision is to place Islamic finance as an impact investment in the global world by involving the private sector. Three strategic pillars of GIFIIP: (i) conceptualization and capacity building; (ii) collaboration between industry and advocacy; (iii) deal sourcing and matchmaking. One of initiatives that GIFIIP focus on is green sukuk.

Green Sukuk initiatives have been implemented in Malaysia involving the Malaysian capital market commission and Islamic Development bank. The initiative process includes:

1. pre-assessment research
2. Validation workshops and multi-stakeholder task forces
3. Facilitation of reporting *Green Sukuk*

Green Sukuk training has also been carried out in Istanbul, Turkey, in March and November 2018. It has also been held in Pakistan. This training program aims to build the capacity of human resources in forming Green Sukuk. The target participants of this training are technical experts, innovation teams, and fundraising managers from Islamic financial institutions. The target participants are also coming from the government institutions, lawmakers and managers of private organizations. GIFIP has also held a series of conferences on Islamic finance, such as the annual meeting of the Islamic Development Bank and the meeting of the upper house of the United Nations.

2. Dr. Mohammed Obaidillah, Lead Research Economist, IRTI: Risks, Opportunities, and Mitigation Strategies in Shariah Compliant Impact

Obaidillah revealed that impact investment has different characteristics from conventional investment. At conventional investment, the portfolio is directed at the results and risk framework. In Islamic investment, the portfolio is maximized by following the rules of Islamic or sharia rules, and also on social impact. Investment impacts two objectives, namely maximum return, and maximum impact. The choice to achieve both objective results in risks that must be taken by the investment manager.

Obaidillah also reveals the risks faced by impact investment including market risk, operational risk, impact, risk, capitalization risk, measurement risk, and settlement risk.

3. Shaima Hasan, Research and Product Development Manager, Refinitiv: Making Positive Social Impact Through Islamic Finance: Bahrain Experience

Shaima stated that Bahrain is the country with the number two financial industries growth worldwide. Globally, the assets of Islamic financial institutions have significant growth. Figures show assets are expected to penetrate 3.8 trillion dollars in 2023. Shaima explained that Bahrain had taken a strategic position in the development of Islamic finance. He gave an example, the total assets of Islamic financial institutions in Bahrain reached 43.6 billion dollars. Bahrain has 47 Islamic financial institutions. All of them is governed by the Bahrain government standardization agency, with very comprehensive laws. Bahrain has built Islamic fintech to help startup companies. The country is also the headquarters for the world's Islamic financial regulatory institutions, such as AAOIFI, IIFM, CIBAFI and IIRA.

Bahrain has begun an impactful investment, namely by providing capital to many microfinance institutions and generating 2,800 new jobs. Investment funds reach 733 million dollars. Apart from that, Bahrain has become a pioneer in creating regulatory standards for Islamic banks and Islamic insurance. Bahrain has also launched liquidity management at Islamic financial institutions and launched government Sukuk for the first time.

Bahrain's endowment fund was built in 2006 by The Central Bank of Bahrain (CBB) in collaboration with the Islamic finance industry. This program aims to fund educational projects, training and research of Islamic financial institutions. Bahrain's endowment fund reaches 7 million dollars. The growth of these funds reached 4.6 % per year. Some programs are funded such as diplomas in Islamic finance, diplomas in usul Fiqh, advance reviewers of sharia programs and round table discussions. The Bahrain Waqf Fund program has

produced ecosystems and strategic locations that stimulate the industry and business world, namely more than 119 innovative startups, 34 incubators and co-working space and USD 100 million Alwaha funds for investment capital in startups and technology. Several factors support Bahrain as a business-friendly country, namely:

1. Can be 100% foreign ownership
2. No restriction zones
3. Bahrain's regulations facilitate investor aspirations
4. A loose tax regime
5. Low cost of opening a business

6. Dr. Muhammad Maksum, M.A., National Sharia Board, The Council of Indonesian Ulama (MUI): MUI Fatwa to Support Islamic Finance for Impact Investing

The role of the MUI National Sharia Council- Dewan Syariah Nasional (DSN) on the development of Islamic financial institutions is huge. The fatwa is an answer that contains an explanation of sharia law based on two primary sources, the Qur'an and Hadith. A fatwa is a legal opinion based on Islamic laws and is not binding except for those who ask about the fatwa. MUI fatwa in relation to Islamic financial institutions will be enforceable if it has been approved by the OJK or BI.

The Role of DSN MUI:

1. Issued fatwa
2. Oversee the implementation of fatwas

3. Issued guidelines for fatwa implementation
4. SSB Recommendation
5. Issuing Sharia Compliance Report in collaboration with the authorities
6. Issued sharia certification to business entities and institutions
7. SSB training and certification
8. Dissemination and education regarding fatwa

The view of DSN MUI on investment has an impact, namely:

1. Fatwa no. 123 of 2018 concerning non-halal income. This fatwa explain that non-halal income must be channeled to the interests of the public or the interests of Muslims who do not violate sharia rules such as the assistance of victims of natural disasters, support Islamic educational institutions such as mosques and madrasas, support literacy and Islamic finance education, scholarships for poor students and provision of consumption to the poor.
2. Another fatwa related to impactful investment is fatwa no. 119 of 2018 concerning ultra-micro financing, i.e. less than 10 million rupiah financing must use a special conditional contract.
3. Fatwa number 106 of 2016 concerning Waqf insurance
4. Fatwa number 98 of 2016 concerning social health insurance for sharia

5. Fatwa number 21 of 2001 concerning Islamic insurance
6. Fatwa number 108 of 2016 concerning sharia tourism
7. Fatwa number 107 of 2016 concerning sharia hospitals

Prinsip fatwa DSN MUI meliputi:

1. Oriented to the goals of Islam
2. Problem solving methodology
3. The separation of legal cases from illegal matters
4. Referring to the opinion of the school of scholars

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SESI PANEL 4: Islamic Social Finance and Impact Investing

Discussion Chair: Iggi H Achsien (MES)

1. Mohamad Ikhsan Modjo: Islamic Socially Responsible Investment

Modjo claims that socially responsible investment has witnessed significant growth and acceptance in the global financial industry, particularly in the last decade. More than one USD out of every four USD invested are accounted under responsible investment in the United States. Furthermore, 30 investors choose responsible investment. The desire to invest ethically is especially pronounced among Millennials. Environmental, Social and Governance Practices (ESG) of an investment may have a significant impact on investment performance. ESG factors is used to enhance traditional financial analysis to identify risks and opportunities beyond technical valuation.

Socially responsible investment has gone further by choosing activities that are in accordance with ethical values. The underlying motive could be religion, personal values, and political beliefs. Socially responsible investment uses the ESG factor to screen the investment. In impact investing, positive outcomes are the utmost importance. The positive impact should be also beneficial to society or the environment. Investment in clean or renewable energy could be use as an example.

There are four parties involved in the impact investment. The first party is the public sector, including donors and technical assistant providers, Development Finance Institutions, non-profit institutions, and governments. The second party is the private sector, including impact investors, retail investors, debt bond providers, and crowdfunding providers. The third parties are investors, including retail, household, institutional, pension fund, banks, and insurance companies. The fourth part is the foundations that have impactful investment activities.

Islamic investing can be categorized as a subset of socially responsible investment. The main difference between those terms is the guiding principles. The screening criteria of Islamic investing are specifically based on religious guidance. Islamic investing also has different set of instrument and business models. The type of Islamic finance that are close to the principle of impact investing are Zakat and Waqf.

Modjo ended his presentation by explaining the potential of the Hajj endowment fund as a source of funds for responsible investment in Indonesia. Modjo believes that the potential for responsible investment in Indonesia is enormous. However, the biggest challenge is making an indicator to assess the extent of the impact caused by investment.

2. Prof. Md. Anwarul Azim Arif, Chairman of Social Islami Bank Limited: *Cash Waqf Deposit Scheme: Social Islamic Bank Limited Experience*

Arif described about Cash Waqf, including the legal basis, the definition, the principles, and the practice of Cash Waqf in the time of the Prophet Muhammad. According to Arif, Cash Waqf can be

facilitated by Islamic banking. Waqf funds can be invested in profitable businesses, so the results can be utilized for people in need.

The emergence of Cash Waqf in Bangladesh is an encouraging trend. The degree of awareness on cash waqf in recent years in Bangladesh has been remarkable. A couple of private banks in Bangladesh have pioneered in introducing cash waqf. After government of Bangladesh enacted the Private University Act of 1992, many private universities and higher learning institutions have been established in the country some of which are financed by cash waqf. One such institution is the Social Science Institute (SSI). SSI has an endowment fund which is a cash waqf. The cash waqf fund is kept in the investment fund of an Islamic Bank which operates on the basis of mudarabah. Then the profits are spent for fulfilling some Islamic objectives laid down in the constitution of SSI. This is an encouraging trend for the rich segment of Muslims in the country who may come forward and pool their fund to create cash waqf to help the poor segment of the population. In this way cash waqf may add a new dimension to the charity activities in the country.

The Social Islamic Bank Bangladesh (SIBL) started to operate in 1995. SIBL offers both conventional financial services and microfinance loans in accordance with Islamic principles and participates in developing and managing the waqf and other religious institutions. SIBL defined its operation in three different sectors – formal, non-formal, and voluntary. Its voluntary sector offers Cash Waqf Certificate Scheme which is an innovative financial product aimed at social welfare. The Waqf properties are converted into income generating units and the income so derived is utilised as per instruction of the Wāqif or in the absence of such instructions, on the basis of Islamic Shariah.

The Islami Bank Bangladesh Limited (IBBL) has introduced a 'Mudaraba Waqf Cash Deposit Account' (MWCD) scheme which

came into force with effect from first July 2004. In this scheme, the deposited money is invested and the profit is spent in accordance with the will and wishes of the wāqif. The Wāqif has the right to choose from the list of purposes to be served either from the following list or any other purposes permitted by Shariah: Family Rehabilitation; Education, Sports, Da'wa, and Culture; Health and Sanitation; and Social Service.

Cash Waqf deposit accounts have long been introduced by a number of Islamic Banks in the country. All these banks have guidelines for operating this type of account that are convenient, customer-friendly and motivational in promoting good deeds.

3. Dr. Imam Teguh Saptono, Indonesia Waqf Board: Cash Waqf Funds to Support Social Entrepreneurs

Saptono said that there is a dichotomy in a traditional business, namely the separation between financial benefits and social benefits, in which both trade off is occurred between the two. The biggest challenge is how to change the dichotomy paradigm by changing traditional business concept into ukhrawi business concept. Although there is a separation of business objectives according to traditional economics, namely the distribution of commercial and non-profit business, Asy Syatibi has detailed the objectives of sharia or known as maqashid sharia which consists of protection of religion, life, reason, descent, and property. The function of investment in Islam is to maximize benefits with a choice of three categories of level of needs, namely hajiyat, tahsiniyat, and dharuriyat.

Creating Shared Value (CSV) is a business concept that emphasizes the importance of taking into account the social issues and needs in company's strategic design. CSV is the development of Corporate

Social Responsibility (CSR). This concept was introduced by Michael Porter and Mark Kramer in 2006, which bridged the gap between the business world and social welfare. Saptono also explained that companies with excellent social responsibility performance would get good profits. Trickle-down economics is a myth, enriching corporations will not necessarily help those in the middle, let alone those at the bottom.

Saptono explained that Waqf could replace the role of commercial banks to finance both commercial as well as public ventures. However, the use of Waqf has challenges, such as the gap between theory and practice in the productive Waqf field. Then the next challenge is that there must be harmonization of regulations such as a tax subsidy and incentive system for Waqf actors, and organizational capacity development. The role of the MUI should be encouraged to produce a fatwa in accordance with the times. Waqf product innovation must be made simpler, flexible, and compatible.

Saptono explained the role of zakat, infaq, and waqf during the Caliph Umar bin Abdul Aziz. At that time all the needs of Muslims are met, even to the point of helping couples who will get married. The role of Waqf continued into the Ottoman Caliphate, where most of the land was Waqf land.

In the modern era, Waqf assets include infrastructure, property, universities, financial institutions, plants, water infrastructure, hospitals, companies, and transportation facilities. The role of Waqf in Indonesia is also very large, such as the Waqf land of the Senayan stadium and the land of the National Monument in Jakarta.

In the current era, the potential for Waqf is very large. Varkey's survey shows that millennial opinioned that religion gives good impact to the world, with highest happiness rate from religion impact in Indonesia. Middle Class Consumers in Indonesia could

come up with potential Cash Waqf USD 2.7-4 billion/year. One mechanism that can be used to absorb that potential is Waqf-linked Sukuk. The parties involved in this scheme including the Indonesian Waqf Board, the Ministry of Finance, and Islamic financial institutions as Nazir partners.

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SESI PANEL 5: Role of Government to Support Islamic Finance for Impact Investing

Discussion Chair: Dr. Mohamed Ishthiaq Akbar, IsDB Group Regional Hub Indonesia

1. **Amalia Adininggar Widyasanti, ST, MSi, M.Eng, Ph.D, Staf Ahli Bidang Sinergi Ekonomi dan Pembiayaan, Bappenas: *Islamic Finance for Impact Investing in Indonesian Master Plan for Islamic Economic and Finance***

The legal basis for the implementation of Sustainable Development Goals (SDGs) in Indonesia is the Presidential Decree Number 59 Year 2017 on Achieving the Sustainable Development Goals, Minister of National Development Planning Regulation Number 7 Year 2018 on Coordination, Planning, Monitoring, Evaluation, and Reporting of the Implementation of Sustainable Development Goals, and Minister of National Development Planning Decree Number 127 Year 2018 on the Formation of Implementing Team, Working Group, and Expert Team of Sustainable Development Goals 2017-2019. The members of Implementing Committee and Working Groups on SDGs National Coordination Team consist of four platforms: government and parliaments; civil society organizations; philanthropy and business; and academics.

A report on the implementation of SDGs can be seen in the Voluntary National Review which was published in 2017 and 2019. The SDGs are mainstreamed into National Development Agenda in the 2020-2024 National Medium-Term Development Plan (RPJMN 2020-2024). There are 104 targets of SDGs in the RPJMN 2020-2024.

Achieving SDGs need a huge financing resource. Therefore, Indonesia needs new sources of financing and innovative financial mechanisms.

The government has launched Indonesia Islamic Economy Masterplan 2019-2024. There are some alignments of SDGs to Indonesia Islamic Economy Master Plan, for example:

1. Achievement Targets: Increasing Welfare Index that is aligned with SDGs number 1 and 10.
2. Main Indicators: Increasing Food and Energy Self-Efficiency that is aligned with SDGs number 2, 7, and 14.

The government has also launched the book "Fikih Zakat on SDGs." The book contains the development of Islamic legal thinking in response to the times, including the world's development goals that continue to be refined. Widyasanti also explained about the National Amil Zakat Agency (*Badan Amil Zakat Nasional/BAZNAS*), which has many programs such as disaster response, scholarships, health services, strategic analysis, and micro financing. The BAZNAS has chosen to prioritise SDGs number 1, 2, 3, 4, 6, 8, and 11. Widyasanti mentioned several examples of BAZNAS programs that support SDGs, such as programs in Bengkulu and Jambi, namely the formation of micro-hydro power plants from community zakat funds.

Widyasanti also explained the example of impact investment in Indonesia. The *SDGs Impact Fund Negara* is a partnership program between UNDP and ANGIN to support social enterprises in accessing funds from private investor. By exploring the blending of private and public forms of finance, a social impact fund will address some

of the obstacles to social enterprises in the agribusiness value chain in accessing finance.

The role of the government in impact investing is also by giving mandate to private investors to engage in impact investing, subsidizing impact investments, building capacity for impact investments, and providing information and setting standards. Another role of government is by providing complete information on impact investment programs.

2. Arsalaan Ahmed, CEO of HSBC Amanah Malaysia: Government Support for the Development of Impact Investing: Malaysian Case Study

The government develops impact investment through the following channels, namely direct government investment, government funds, social capital mobilization, incentives, capital markets, and banking industry. The Global Systemic Important Bank (G-SIB) recorded total assets at 51.40 trillion USD, while assets in the capital market were 30.7 trillion USD. The total assets of green capital market were only 208 billion USD. Even if 50% of green bonds were subscribed by G-SIB alone, it would be only 0.34% of their non-loan assets.

According to a report by UK Prudential Regulation Authority, three broad categories were identified to define how banks respond to impact investment, namely:

1. Responsible, which is an approach based on a CSR perspective, focusing on reputational risk.
2. Responsive, which is an approach where climate change is viewed as a financial risk, albeit from a relatively narrow, short term perspective.

3. Strategic, which is a more comprehensive approach taking a long-term view of financial risk.

Ahmed also explained the concept of Value-Based Intermediation (VBI). VBI is designed according to the concept of Value-Based Banking (VBB), which has been practiced by 53 banks in the world. Through conforming to VBB standard which center around 6 principles, financial institutions must re-orientate their business activities to include environment and social needs and encourage long term profitability. The six principles of VBB are triple bottom line, real economy, transparent, culture, client centered, and resilience.

Triple bottom line is the key to achieving impact on the banking sector. The triple bottom line consists of planet (how banks play a role in tackling climate change), people (how banks play a role in the socioeconomic community), and prosperity (how banks maintain the long run economic prosperity of the financial institutions).

The VBI Quantitative measures consists of: category 1 (examples: ROE and ROA); category 2 (example: real economy); and category 3 (example: triple bottom line). VBI Qualitative measures consist of: strategies and policies; process and actions; and KPI results.

3. Suminto, S.Sos., M.Sc. Ph.D, Staf Ahli Bidang Pengeluaran Negara, Kementerian Keuangan

Suminto explained that Indonesia is predicted to become a Developed Country in 2045. The government predicts a number of potentials that could bring Indonesia to that position, including:

1. The population reaches 319 million
2. The fifth largest economy in the world

3. The proportion of productive age population reaches 47%
4. The proportion of middle-income class reaches 70%
5. The proportion of urban population reaches 73%
6. The economic structure moves to sectors with higher additional value
7. Income per capita reaches 23,199 USD
8. Economic cake from service sector reaches 73%

The fiscal policy theme in 2020 is “Government Budget to Accelerate Competitiveness Improvement through Innovation and Human Resources Development”. Some sectors that become the government's priority are infrastructure, human resources, bureaucracy, technology, landscape management, and economic and financial resources. Suminto said the reasons why the government should engage in impact investment are because impact investment could leverage government's limited resources, utilize government experience in public sector fields, and encourage innovative solution.

Suminto explained that there are three tools that the government could use in impact investment, namely:

1. Non-fiscal policy, such as international cooperation and regulation
2. Quasi fiscal policy, such as Special Mission Vehicle and Infrastructure Guarantee Fund
3. Fiscal policy, by using government's revenue and expenditure

Suminto explained that budget allocation for infrastructure has increased from USD18.3 Billion in 2015 and reached USD29.6 Billion in 2019. Significant increase in the government infrastructure expenditure has improved the ranking of logistic performance index and quality of overall infrastructure. Suminto also explained about the allocation of village funds which continued to increase each year and succeeded in reducing income inequality and the number of poor people in rural areas.

Suminto then described Public-Private Partnership (PPP) scheme in financing government projects. This scheme has the characteristics of a long-term contract, involving elements of government and private sector, and oriented to infrastructure and public services. Examples of PPP Projects are SPAM Way Riau, Bandar Lampung; SPAM Semarang, Central Java; SPAM, Umbulan East Java; and SPAM Pekanbaru.

Suminto also added that there are several on-going projects that being financed by blended finance scheme, including five urban transportation projects, three water resources projects, one road project, one tourism project, four port projects, one telecommunications project, two railroad projects, three health projects, 72 renewable energy projects, and one special economic zone project.

The Indonesian Government has been acknowledged as the first initiator of Green Sukuk in the world. Indonesia Government has issued Green Sukuk in 2018 and 2019. The funds collected reached two billion USD to finance projects such as solar, mini-hydro, and micro-hydro power plants; double-tracks railways, and solid waste management.

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CLOSING REMARKS

Speaker:

Suminto, PhD

In his remark, Suminto reviewed the essential key points discussed during the event. Achieving Sustainable Development Goals (SDGs) requires resources, and it is not something that can be fulfilled by one or several nations but requires the participation of every nations in the world. As the world continues to look for innovative financing modalities to fill the SDGs funding gap, Islamic finance and impact investment provide a unique opportunity to fill the gap. They both share common principles and can be complementary in some areas.

Two main Islamic finance instruments, namely zakat, and waqf, play a great role in the impact investment ecosystem. Modern implementations of these two tools in peer countries have provided insights that could be implemented in Indonesia. However, one important thing that needs to be kept in mind regarding the utilization of zakat and waqf for SDGs is their governance.

The Government of Indonesia strongly believes that Islamic finance and impact investment hold great potential in Indonesia for advancing the development of Islamic finance and achieving SDGs. Among others, this belief is evidenced by the inclusion of impact investment as one of the main programs in the recently launched Sharia Economic and Financial Master Plan.

Suminto also expressed his pleasure on the numbers of papers submitted for the Call for Paper event, which reached more than 70 articles. He hoped that the ideas and possible policy recommendations in the submitted papers could be followed up,

developed further, and even realized to provide creative and effective solution as alternatives to Indonesia's economic challenges.

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SPEAKER'S PROFILE

**Prof. Dr. Mardiasmo, MBA., Akt. Wakil Menteri Keuangan
Republik Indonesia**



He was born in Solo on May 10, 1958. Undergraduate education at the Faculty of Economics, Gajah Mada University in 1981. Then, he continued his Masters at the University of Bridgeport, Connecticut, USA with a Master of Business Administration (MBA) in 1989. He got his PhD from the School of Public Policy, University of Birmingham, England in 1999.

He served as Chair of the Indonesian Institute of Accountants from 2010 until now. He is also a Professor in the Faculty of Economics and Business (FEB) of Gajah Mada University. He actively writes several books including Taxation (2006), Regional Autonomy Series: Regional Autonomy and Financial Management (2003), Public Sector Accounting (2003), and Basic Financial Accounting (2000).

Before finally being appointed as Deputy Minister of Finance on October 27, 2014, he served as Expert Staff to the Minister of Finance in State Expenditure in 2004-2006, Director General of Fiscal Balance Ministry of Finance (2006-2010), Deputy Chair of the Draft Law Discussion Team on BPK -RI (2006), Head of the National Bureaucratic Reform Quality Assurance Team (TQA RBN), (2011-present), Deputy Chair of the Budget Acceleration Evaluation and Oversight Team (TEPPA), (2011-present), and Head of the Republic's Financial and Development Supervisory Agency Indonesia (BPKP-

RI) in 2010-2014. From 1 December 2014 to 6 February 2015, he was entrusted as the Acting Director. Director-General of Tax, Ministry of Finance.

Dr. H. Emil Elestianto Dardak, M.Sc, Wakil Gubernur Jawa Timur



Emil Elestianto Dardak is an Indonesian politician who is the Vice Governor of East Java. Before becoming Vice Governor, he was the regent of Trenggalek Regency between 2016 and 2019.

Emil Dardak was born in Jakarta on 20 May 1984 as the eldest children of four siblings. He got a degree from Singapore's Raffles Institution and later for his undergraduate degree at the University of New South Wales. He eventually completed his formal education after graduating with a doctorate from Ritsumeikan Asia Pacific University. Also, Dardak participated in the 2018 class of the Bloomberg Harvard City Leadership Initiative, and become the only Indonesian between the 40 mayors involved.

**Suminto, S.Sos., M.Sc. Ph.D, Staf Ahli Bidang Pengeluaran
Negara, Kementerian Keuangan**



Dr. Suminto was born in Sragen on July 7, 1972. He earned a Bachelor of International Relations from Airlangga University. He holds M.Sc. in Development Finance from Hiroshima University and Ph.D. in Development Economics from Ritsumeikan Asia Pacific University, Japan.

He served as Director of Islamic Financing (2014-2018) and acting Director of Loans and Grants (2017-2018). Before that, he was assigned at various positions in DG Budget, DG Treasury, Secretariat General, and DG Debt Management/DG Budget Financing and Risk Management.

Commencing on July 17, 2017, he serves as the Assistant Minister for Government Expenditure.

**Amalia Adininggar Widyasanti, ST, MSi, M.Eng, Ph.D, Staf Ahli
Bidang Sinergi Ekonomi dan Pembiayaan, Kementerian
Perencanaan Pembangunan Nasional/Badan Perencanaan
Pembangunan Nasional**



Mrs. Amalia Adininggar Widyasanti is the Senior Advisor to the Minister for Synergy of Economy and Financing in the Ministry of National Development Planning/ National Development Planning Agency (Kementerian PPN/ Bappenas). She works for the Ministry of National Development

Planning since January 2006 as the Deputy Director for Trade. She has got her bachelor degree in Chemical Engineering from Bandung Institute of Technology, a master degree also in Chemical Engineering from Bandung Institute of Technology, second master degree in Industrial Management from Rensselaer Polytechnic Institute (USA), and Ph.D. degree in Economics from University of Melbourne (Australia).

Prof. Suahasil Nazara S.E., M.Sc., PhD., Kepala Badan Kebijakan Fiskal, Kementerian Keuangan



Born in Jakarta on November 23, 1970, Suahasil earned his bachelor degree majoring in Economics (SE.) from Universitas Indonesia in 1994, and his Master of Science (MSc.) degree from Cornell University USA in 1997. In 2003, he obtained his Doctor of Philosophy (PhD.) degree from University of Illinois at Urbana-

Champaign USA.

Suahasil joined the government official service as a lecturer at the Fakultas Ekonomi dan Bisnis Universitas Indonesia (FEB-UI) in 1999. In 2009 he obtained the status of Professor in Economics. Within the FEB-UI, Suahasil held different positions: Head of Graduate Degree Program in Economics (2004-2005), Director of Demographic Institute (2005-2008), and Head of Economics Department (2009-2013).

Suahasil was a member of the Expert Team for Minister of Finance on Fiscal Decentralization (2009-2011). Suahasil is active in the Indonesian Economist Association (Ikatan Sarjana Ekonomi Indonesia or ISEI). He previously also active as Vice Chairman of Supervising Committee of the Indonesian Decentralization Watch (Komite Pengawas Pelaksanaan Otonomi Daerah or KPPOD) in 2009-2015. Prior to his appointment at the Ministry of Finance, Suahasil is the Policy Coordinator at the Secretariat of the National Team of Poverty Reduction Acceleration (Tim Nasional Percepatan Penanggulangan Kemiskinan or TNP2K) at the Office of the Vice President (2010-2015); and a member of the National Economic Committee (Komite Ekonomi Nasional or KEN) in 2013-2014.

Commencing on February 6, 2015, he is appointed as the Acting Chairman of Fiscal Policy Agency, and on October 31, 2016 he is affirmed as the official Chairman of Fiscal Policy Agency, at the Ministry of Finance, Republic of Indonesia.

Ayu Sukorini, S.E., M.A, Kepala Pusat Kebijakan Sektor Keuangan, Kementerian Keuangan



Ayu Sukorini earned her Bachelor of Economics (SE) from the Satya Wacana Christian University Salatiga in 1990, and Master of Arts (MA) from the University of Colorado at Denver, The United States of America in 1998. She has interests and expertise in several fields, including fiscal policy, risk management, and financial markets.

In August 2017, she was appointed as Head of the Financial Sector Policy Center, Fiscal Policy Agency, Ministry of Finance. Before that, she was assigned to various positions. She served in the General Secretariat, Directorate General of Treasury (DJPB), and Directorate General of Financing and Risk Management (DJPPR). In her previous assignments, she served as Director of Debt Strategy and Portfolio (2008-2012) and Director of Loans and Grants (2012-2017) at the Directorate General of Financing and Risk Management.

**Dwi Irianti Hadiningdyah, S.H, M.A, Direktur Pembiayaan Syariah,
Kementerian Keuangan**



Dwi Irianti Hadiningdyah is currently the Director of Islamic Financing at the Directorate General of Budget Financing and Risk Management, Ministry of Finance, the Republic of Indonesia. She earned a Bachelor Degree in Law from Diponegoro University, Indonesia and a Master of Arts in Economics from the University of Delaware, USA. She is experienced in the field of

Indonesia's capital market regulation and law. She also actively involved in the drafting of Indonesia's Sovereign Islamic Securities (Sukuk Negara) Law and its implementing regulations since 1994.

She was also directly involved in developing Sukuk Negara since the very beginning, including the preparation contracts and legal documents used for issuances both in domestic and international markets. She was also involved in the establishment of Directorate of Islamic Financing. Now, she is the President Director of Sukuk Negara Issuing Company (SPV), whose is responsible for issuing the Republic of Indonesia (ROI) Global Sukuk and ROI Green Sukuk. She has been an active member of the Indonesian Association of Islamic Economist (IAEI) as the Division Head of Sukuk Development.

Christophe Bahuet, UNDP Indonesia Resident Representative



Christophe Bahuet has been the Country Director of UNDP in Indonesia since August 2015.

His earlier assignments with UNDP included China, Vietnam, Ghana, Uzbekistan, and Ukraine. Mr. Bahuet also worked at the UNDP Headquarters in New York, in the Evaluation Office, and Partnership Bureau. Before joining UNDP, he

worked in the French Embassy in Yugoslavia.

Mr. Bahuet holds a master's degree with honours from the Institut d'Etudes Politiques de Paris, a diploma in Southeast Asian studies from the National Institute of Oriental Languages and Civilizations in Paris, a law degree, and a degree in Russian from the University of Bordeaux.

H.E. Dr. Walid Abdelwahab, Director-General, Country Relations and Services Islamic Development Bank



Walid Abdelwahab joined IsDB in 1998 and currently is the Director-General of Country Relations and Services overseeing country strategy and dialogue and management of the Bank's \$25 billion portfolios across all sectors in the Bank's 57 member countries

in Asia, Africa, MENA, Europe, and Latin America. Previously, Walid held the position of Infrastructure Director, where he led the Bank's infrastructure practice in energy, transport, water, and urban services. He also led the introduction of public-private partnership (PPP) financing in the Bank, which is now a leading line of business.

Before joining IsDB, Walid worked for the Ministry of Transport and Highways of British Columbia, Canada as Senior Safety Research Engineer (1991-94) and led the Ministry's research program with the University of British Columbia (UBC) where he was an Adjunct Professor. He also taught Transportation Engineering and was Head of Civil Engineering Department at Al Isra University in Jordan (1994- 98).

While teaching in Jordan, he advised ministries of Transport, Public Works, and Municipal Affairs on various transport issue. Walid holds a Ph.D. in Civil Engineering from the University of Calgary, Canada and has published extensively in various transport and economic subjects.

Azam Khan, Country Manager for Indonesia, Malaysia and Timor-Leste - International Finance Corporation (IFC)



Azam Khan is the Country Manager for Indonesia, Malaysia and Timor Leste based in Jakarta. Before this appointment, he was the Chief Investment Officer, Infrastructure East Asia and Pacific, based in Singapore. Khan joined IFC in 2000 as an Assistant Investment Officer in the Private Equity and Investment Funds

Department based in Washington, DC. He has since held various

strategic positions. In 2003, he spearheaded the Private Equity Investments in South Asia, and built a strong pipeline of private equity funds and led high visibility transactions for IFC.

From 2003 to 2011, Khan led IFC's private equity business in East Asia and South Asia. In this position, he was also entrusted as the Global structuring specialist for all Infrastructure and Distressed debt funds where he negotiated transactions with lead players in respective sectors in Asia, Middle East, Africa, Latin America, and Russia. During his long tenure of covering Asia, he successfully nurtured and built a deep network of relationships through Private Equity houses. Before joining IFC, Khan pursued an extensive career in engineering and finance in Pakistan and the Middle East.

David Soukhasing, Director Angel Investment Network Indonesia



David Soukhasing is the Managing Director of ANGIN, the most active Angel Investment Network in Indonesia. He is also the Managing Partner of ANGIN Women Fund, which pioneered the field of gender lens investing in Indonesia. He was previously Investment Manager in charge of Indonesia for LGT VP, a global impact investor

supporting organizations with social and environmental impact. Before that, David concentrated his work in the Private Equity industry before jumping himself in entrepreneurship. David is also a mentor and consultant for several organizations in Indonesia: Founder Institute, Ashoka, BEKRAF, UnlLd Indonesia, Plug & Play.

Joanne Manda, Senior Advisor for Innovative Financing UNDP



Joanne provides policy advice and technical assistance to countries in the Asia Pacific with a focus on the interface between domestic and international climate finance. She has over 16 years' experience in Climate Change, Environment, and Livelihoods promotion and disaster management in Africa and South

East Asia. Joanne can be contacted at joan.manda@undp.org.

Thierry Sanders, Chief Executive Officer, PT Mekar Investama Sampoerna



Thierry Sanders is CEO of Mekar. He was appointed in March 2014 and had been leading Mekar as it transforms and grow to become one of Indonesia's most prominent P2P lending platforms. He also serves as a member of Putera Sampoerna Foundation Advisory Board and is a Director and

Founder of bidX, a web-platform that matches SMEs in developing countries with investors. Before joining Mekar, he held a variety of roles including serving as an advisor to the Global Entrepreneurship Programme of US President Obama at US Department of State.

Dr. Rifki Ismal, Ikatan Ahli Ekonomi Islam Indonesia (IAEI)



Dr. Rifki Ismal is the Deputy Director in the Department of Islamic Economics and Finance (DEKS) – Bank Indonesia (central bank of Indonesia) and a lecturer in some Universities including Tazkia College of Islamic Economics. He has got his bachelor degree in Economics from the University of Indonesia, a master degree also in Economics from University of Michigan – Ann Arbor (USA) and the Ph.D. degree in Islamic economics and finance from Durham University (England). He has published some books under John Wiley and Sons, Springer, ISRA and Routledge including more than 40 papers published in international reputable (Scopus) journals.

Ms. Gulcin Salingan, Deputy Director of UNDP's Istanbul International Center for Private Sector in Development (IICPSD)



Gulcin Salingan is the Deputy Director of UNDP Istanbul International Center for Private Sector Development (ICPSD) in Istanbul. Gulcin has more than two decades of experience with both private sector and governmental institutions. Before joining the IICPSD, she was holding the Deputy Team Leader position in the EU project called “Technical Assistance for Empowering SMEs for Networking and Interregional Cooperation” and working closely with the Ministry of Economy and

the Ministry of Science, Industry, and Technology of Turkey. She was involved in numerous EU-funded projects, starting and managing 5 cluster initiatives as the EU Business Center Director and working for a few years as an EU expert. She also worked with UNDP as a senior consultant for the Development of a Cluster Support Programme for the Ministry of Science, Industry, and Technology. She took different assignments on competitiveness, entrepreneurship; SME development; Regional development and strategic business planning in various projects during her career as a freelance consultant.

She introduced a Danish company 'Eurowater AS' to the Turkish market and found a local partner for its operations in Turkey as well as introduced and established the subsidiary of an American company, Finzoom Financial Guide Network of Portals in Turkey. Before establishing her own consultancy company, Gülçin Salıngan started her career in Price Waterhouse working in Lisbon and Istanbul offices. She also as Finance Manager in The Coca Cola Company for the South East Europe Region, covering Slovenia, Bosnia, Albania, Bulgaria and Romania after working with The Coca Cola Company Bottling Operations in Turkey. Gulcin completed her BA degree in Bosphorus University in Business Administration in Istanbul. Followed by a postgraduate study at Westminster University in London and got her masters degree in Istanbul with a thesis related to clusters development. She presently continues her Ph.D. degree in Management.

Dato' Prof. Dr Mohd Azmi Omar, President and Chief Executive Officer of the International Centre of Education in Islamic Finance (INCEIF)



Azmi Omar serves as the President & Chief Executive Officer of INCEIF - The Global University of Islamic Finance since October 2017. Before this, he was the Director-General of Islamic Research and Training Institute (IRTI), Islamic Development Bank (IDB) Group, Jeddah, Kingdom of

Saudi Arabia. He held the position for almost six years. He also a senior professor and university administrator at the International Islamic University Malaysia for nearly 30 years. At IRTI, Azmi pioneered and introduced many innovative policy researches which culminated into flagship reports such as IRTI Islamic Social Finance Report and IDB-World Bank Global Report on Islamic Finance.

Azmi has also advised and provided technical assistance to several IDB member countries in their implementation of Islamic Finance. He is a member of the External Advisory Group for the International Monetary Fund (IMF) Interdepartmental Working Committee on Islamic Finance and Board of Trustees of Responsible Finance Institute (RFI) Foundation. Azmi was awarded "The Most Outstanding Individual Contribution to Islamic Finance" in the KLIFF Islamic Finance Awards 2015. He also serves as the Islamic Finance Expert to the Autoriti Monetari Brunei Darussalam.

Matthew Martin, Founder, Blossom Finance



Matthew J. Martin is a pioneer in the application of FinTech for Islamic finance. Combining his passion for Islamic finance with his deep financial technology background, Matthew founded Blossom Finance in 2014, which aims to increase the availability and inclusivity of Islamic finance

using blockchain.

Matthew's background includes engineering and product management experience in the digital wallet, payment card, money remittance, mobile payments, and mobile banking sectors at venture capital-funded, international tech startups Xoom, Boku, and Monitise. He has advised technology startups on FinTech and blockchain, and spoken to international audiences in the USA, Qatar, Bahrain, UAE, Singapore, Malaysia, and Indonesia. Prior to Blossom, Matthew started his first blockchain-related venture in 2013 - when Bitcoin was less than \$100 USD - which allowed the instant purchase of Bitcoin in 27 countries using just a mobile phone.

Matthew has studied eight languages and speaks Indonesian, Farsi, and French at an intermediate level in addition to his native English. Matthew embraced Islam in 2010 and currently lives in Jakarta, Indonesia.

Adiwarman Karim, Karim Consulting Indonesia



Mr. Adiwarman Azwar Karim is an icon of Islamic Economics and Finance. He earned degrees from Institut Pertanian Bogor, Universitas Indonesia, European University (Belgium) and Boston University (USA). Then he was appointed as a Visiting Research Associate at Oxford Center for Islamic Studies in the UK.

Formerly, He was on the management of Bank Muamalat Indonesia. He is the author of seven best-selling books in Islamic Banking, Islamic Economics and History of Islamic Economics. He wrote more than 70 papers and presented in International Conference on Islamic Economics sponsored by IDB, the 76th Annual Conference of the International Western Economics Association and other international & national forums.

Currently, he is as Founding Partner of Karim Consulting Indonesia (2013 – Present), Vice Chairman of Majelis Ulama Indonesia (National Board, Council of Indonesian Ulama, 2010 – Present), Independent Commissioner of Bank Sahabat Sampoerna (January 2012 – Present), Member of Institute of Indonesia Chartered Accountants (DSAS IAI, 2016 – 2020), Chairman on Islamic Finance Indonesian Chamber of Commerce and Industry (KADIN, 2015 - 2020), Member of The Indonesian Association of Islamic Economist (DPP IAEI, 2015 – 2019), International Islamic Financial Market (IIFM) Shari'ah Advisory Panel (January 2011 – 2012), Sharia Advisory Board of Great Eastern Syariah Insurance (2002 - 2012), Prudential Life Assurance (2007 – 2012), Bank Danamon Syariah (2002 – 29 April 2010 General Share

Holder Meeting), HSBC Syariah Indonesia (2003 – 31 March 2008), Fortis Investments and UFO Multi Level Marketing Company (2007 – 29 February 2012).

Ventje Rahadjo Soedigno, Direktur Eksekutif, Komite Nasional Keuangan Syariah



Ventje Rahadjo Soedigno earned his Bachelor of Economics in the University of Indonesia's Development Economics in 1980 and the Master of Economics in Finance for Development at the University of New England, Armidale Australia in 1986.

Worked since 1981 at the Indonesian Development Bank (Bapindo) with positions including the General Manager of the Cab Hong Kong and the Junior Director of Treasury Affairs.

He was a member of the 1998 Bank Mandiri Merger Committee and subsequently became the Commercial Director of Bank Mandiri from 1999 to 2004. He became the Retail and Micro Director of Bank Rakyat Indonesia (BRI) in 2004-2005 and subsequently became the Director of Bank Internasional Indonesia (BII) 2006-2008. In 2008 - 2011 he was appointed as the President Director of BRI Syariah and also established the bank.

In 2012-2017 he continued his career at Bank Mandiri as Senior Executive Vice President in the field of Change Management

and Corporate Transformation, as well as serving as President Commissioner at Mandiri Axa General Insurance and Bank Syariah Mandiri.

Since July 2017 until now, he has been trusted by the Minister of Maritime Affairs and Fisheries as a Special Staff, in the field of capital and business processes. From January 2019 until now, Ventje Rahardjo has also been serving as the Executive Director of the National Sharia Finance Committee (KNKS), appointed through a Presidential Decree as Chair of the KNKS.

Dr. Sutan Emir Hidayat, Direktur, Komite Nasional Keuangan Syariah



Dr. Sutan Emir Hidayat is currently the Director of Islamic Financial Education and Research at the Indonesian National Islamic Finance Committee (KNKS). He was an associate professor and Head of Business Administration Department at University College of Bahrain (UCB). Dr. Hidayat obtained his Ph.D. in Islamic

Banking and Finance and his MBA in Islamic Banking and Finance both from the International Islamic University Malaysia (IIUM). In Bahrain, Dr. Hidayat is also a member of the advisory committee for Centre of Islamic Finance at Bahrain Institute of Banking and Finance (BIBF). In BIBF, Dr. Hidayat is also a trainer for Islamic accounting standards and Accounting for Islamic Financial Institutions module at the Advanced Diploma in Islamic Finance (ADIF) program and CIMA Diploma in Islamic Finance (CDIF) program. Dr. Hidayat is actively engaged with academic research in

his field. He has presented several research papers at reputable international conferences such as the 11th Harvard University Forum on Islamic Finance at Harvard Law School, Massachusetts, the USA, the Gulf Research Meeting at University of Cambridge, United Kingdom, International conferences and workshops held by Islamic Research and Training Institute (IRTI) of Islamic Development Bank (IDB). He was also invited to speak at renowned industry-based conferences such as the AAOIFI-World Bank Annual Conference on Islamic Banking and Finance, Deloitte-IRTI Executive Workshop 3 on Talent Development in Islamic Finance, and the 11th Middle East Insurance Forum. In 2015, through collaboration with IRTI-IDB, as the Chairman of the Organizing Committee, Dr. Hidayat successfully held a thematic workshop on Macroprudential policies and regulations for Islamic financial industry: Theory and applications. In 2016, Dr. Hidayat also successfully chaired the thematic workshop on Exploring Islamic Economic, Finance and Business Issues Research in the Middle East and South-East Asia. In Indonesia, Dr. Hidayat was also invited to give general lectures in many universities such as the University of Indonesia and Airlangga University. Dr. Hidayat has published several research papers in peer-reviewed international journals. Among them are International Journal of Islamic and Middle Eastern Finance, Emerald and Journal of Islamic Economics, Banking and Finance. Also, he is also an associate editor for the Journal of Islamic financial studies and many other journals. During his career, Dr. Hidayat has published two books and contributed chapters in five books, supervised 37 master theses and examined 1 Ph.D. thesis and 21 master theses in Bahrain, Brunei Darussalam and Indonesia. Dr. Hidayat is also an Islamic finance journalist. He regularly publishes articles in Islamic Finance News (IFN-Red Money), frequently publishes articles about Islamic finance in Daily Tribune, a newspapers in Bahrain, published an article in ISFIRE magazine, UK, and Global Islamic Finance Magazine, UK. As part of his

community service, Dr. Hidayat was involved in developing examination questions for Certified Islamic Professional Accountant (CIPA), a professional certificate offered by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). In addition, he was also involved as the external validation and revalidation committee for Advanced Diploma in Islamic commercial Jurisprudence at BIBF. Finally, ISFIN, a leading advisory firm for Islamic markets, recognized Dr. Hidayat's contribution to the Islamic Economy by listing him in a directory named Islamica 500 as one of the top influential 500 personalities on a global scale in 2015, 2016, 2017, and 2018.

Dr. Housseem Eddine Bedoui, Islamic Finance Sector Development Department, IsDB



Dr. Housseem Eddine Bedoui is a Global Lead Islamic Finance Expert at the Islamic Development Bank. As part of his work at the Islamic Development Bank, he actively contributes to the structuring, launch, and implementation of innovative products and processes for the market. Besides, Dr. Bedoui

is CIBAFI and ATD certified trainer (MTP: Master Trainer Program).

He has several entrepreneurial experiences putting Islamic finance principles and products into practice. He has a Master's from Telecom SudParis Engineering School (INT), France; an MBA from IE Business School (Spain); a Ph.D. from ENS (École Normale Supérieure, France); he is also an Alumni from Harvard Kennedy School (CID, Center for International Development). His interests comprise Islamic capital

markets, fintech, blockchain, impact investing, social entrepreneurship and finance, and competitiveness.

Globally recognized in the top 500 leading figures and influential personalities in the Islamic world and economy in 2017 and 2018 (ISLAMICA500).

**Shaima Hasan, Research and Product Development Manager,
Refinitiv**



Shaima Hasan is a Proposition and Bespoke Solutions Manager at Refinitiv Islamic finance division with ten years of professional experience. Shaima is leading the research team and responsible for developing various Islamic Finance knowledge solutions that serve the growth of the Islamic Finance Industry. As an Islamic

capital Market specialist, Shaima is a lead author of several Thomson Reuters reports such as Sukuk Perceptions & Forecast Study, Global Islamic Asset Management, Islamic Finance development indicator and many others. She has worked in developing other market initiatives such as creating market indices including Islamic Finance Development Indicator (IFDI) and The Global Islamic Economy Indicator (GIEI). As a key figure in the Islamic Finance area, Shaima has also conducted and provided many training sessions and presentations regionally and globally. Previously, she worked within fixed income portfolio management of both conventional bonds and Sukuk for one of the largest banks in Bahrain which managing over \$500 million worth of fixed income instruments for more than two years. Shaima is PMP certified and holds a bachelors

degree of Business Administration with a concentration in Accounting & Finance from the American University of Sharjah.

Dr. Mohammed Obaidullah, Lead Research Economist, IRTI



Dr. Mohammed Obaidullah is a Lead Research Economist, acting as the Division Manager, Islamic Economics and Finance Research Division at IRTI, a member of the Islamic Development Bank (IsDB) Group at Jeddah, Saudi Arabia. His areas of interest include Islamic finance, development finance, social finance, and digital finance. He began his association with the IsDB

Group as an Economist in 2006. He concurrently held the position of 2nd Yayasan Tun Ismail (YTI) Chair Professor in Islamic Finance at the Islamic Sciences University Malaysia (USIM) at Kuala Lumpur, Malaysia during 2014-15. Dr. Obaidullah has served as the Secretary-General - International Association of Islamic Economics and Founding Member - World Zakat Forum. He also founded IBF Net: The Islamic Business and Finance Network and its online academy at IIIBF.Com in 1999.

Dr. Obaidullah has also served the King Abdulaziz University, Jeddah, Kingdom of Saudi Arabia, the International Islamic University Malaysia, and the Xavier University, India as an Associate Professor of Finance.

Dr. Obaidullah is a Certified Trainer of Trainers in Microfinance by the Asian Development Bank Institute and Certified in Digital Money by the Fletcher School of Law and Diplomacy and the Digital

Frontiers Institute. He holds a Ph.D. and a Master of Business Administration (MBA) degree from India.

Currently, his passion is to write a blog on Islamic social finance focusing on zakah, awqaf, hajj, and not-for-profit microfinance. He writes at <https://sadaqa.in>

Some of his recent contributions: Islamic Social Finance Report 2014, 2015 and 2017 (Project Leader and Principal Author) Introduction to Islamic Microfinance, IBF Net, New Delhi, 2006. His book Islamic Financial Services, Scientific Publishing Centre, King Abdulaziz University, Jeddah, Saudi Arabia, 2005 has over 320 citations alone and all his publications together, have 1200+ citations as per Google Scholar.

Dr. Muhammad Maksum, M.A., Majelis Ulama Indonesia (MUI)



Mr. Muhammad Maksum is a lecturer at the Faculty of Sharia and Law Syarif Hidayatullah State Islamic University. He is also as secretary of Islamic banking department at National Sharia Board (Dewan Syariah Nasional/DSN), Indonesian Ulema Council. His mayor in sharia law, contract law, and Islamic economic law. He has got his bachelor degree in sharia law from State Islamic Institute Jakarta (2001), master degree (2006) and Ph.D. degree (2013) in Islamic economic law from State Islamic University Jakarta. His second master from the University of Perpignan France in comparative law (2016).

**Prof. Raditya Sukmana, Kepala Departemen Ekonomi Islam,
Universitas Airlangga**



Raditya Sukmana is a Professor in Islamic Economics, Faculty of Economics and Business Airlangga University, Surabaya, Indonesia. He took a bachelor in finance in Airlangga University and pursued Master in Art in Economics from Georgia State University, USA. He completed a doctorate degree from

International Islamic University Malaysia. His areas of specializations are waqf and Islamic bank. He was a presenter in several seminar and conference conducted by prestigious University such as Harvard University and Cambridge University. Also, he has published in several reputable journals like economic Modelling, Qualitative Research, and Financial Market, etc. He can be contacted via email: raditya-s@feb.unair.ac.id

Mohamad Ikhsan Modjo



Ikhsan Modjo is an Economist and Innovative Specialist with a strong verbal and written communication skill to counsel and educate business stakeholder and the public in economic science. He has written more than 200 reports, academic, and media op-ed articles on economic and development. Besides, a faculty

member in Bina Nusantara University, he is currently also working

as an Impact Investment Advisor for International Philanthropy foundation.

Dr. Imam Teguh Saptono, Badan Wakaf Indonesia



Imam T. Saptono (49 years) is a former president director of an Islamic bank, which is currently pursuing the world of waqf. Now he is the vice-chairman of the Indonesian Awqaf Board(BWI) , he also the CEO and commissioner of several waqf companies that are members of the ACT (Aksi Cepat Tanggap) foundation. He completed his doctoral degree at Bogor Agricultural University (IPB) in the field of agribusiness management. He also actively teaches magister management programs at IPB business school as well as a corporate values and strategic consultant.

His social activities were run in the 212 community as 212 cooperative co-chairs, as well as associate producer of the films "212 The Power of Love" and "Hayya the Movie" and the author of the book "Maybe I Am Radical."

Prof. Md. Anwarul Azim Arif, Chairman of Social Islami Bank Limited



Prof. Md. Anwarul Azim Arif, the Chairman of the Board of Directors of Social Islami Bank Limited, was the Vice-Chancellor of University of Chittagong from June 15, 2011, to June 14, 2015. He completed B.Com (Hons) and M.Com from the University of Chittagong. Later, in 1982, he completed an MBA from the University of the Philippines. In January 1976, Prof. Arif started his career as a lecturer in the University of Chittagong and ended up as Vice-Chancellor of the same University. During his career in the University of Chittagong Prof. Arif served as the Chairman of the Department of Management from 1992-95. He also served as the Vice Chancellor of Premier University from 2002 to 2006 and as Pro-Vice-Chancellor of Chittagong University from July 2001 to November 2001. He was also the Dean of Faculty of Commerce, the University of Chittagong from 1994-96. Prof. Arif was elected President of Chittagong University Teachers Association from 1995-97 and as Secretary-General, Bangladesh University Teachers Association Federation from 1996 -97. He was a member of Executive Committee of Association of Management Development Institutions in South Asia (AMDISA), Hyderabad, India, a regional organization of management institutions of SAARC countries from 1994 to 96. Prof. Arif was also elected as a Member of Chittagong University Syndicate from 1997 to 98. Prof. Anwarul Azim Arif has discharged his responsibilities as a member of Chittagong University Senate from 1986 to 2015. Prof. Arif was a responsible member of Chittagong

Education Board and also a member of Bangladesh Plantation Employees Provident Fund Trustee Board nominated by the Ministry of Labor and Employment, Government of Bangladesh. He also participated in different pieces of trainings, seminars, and workshops both in domestic and foreign. Prof. Md. Anwarul Azim Arif visited different countries across the world including United States of America (USA), Netherlands, Germany, France, Belgium, Norway, Australia, Japan, South Korea, Thailand, Taiwan, Singapore, Malaysia, Srilanka, and India. Prof. Md. Anwarul Azim Arif was nominated for the "Best B School Award 2012" of Asia by "The World Education Congress". He was also awarded United Nations Human Rights Award, 2004 for extraordinary performance in the field of human rights & social works. Prof. Arif received A/D/C Fellowship in 1980, CBC Fellowship in 1996, US International Visitors Award in 1989 and received such others awards & scholarships for his excellent academic performances.

Iggi H Achsien, Masyarakat Ekonomi Syariah



Iggi H. Achsien is currently an Independent Commissioner at Bank Muamalat Indonesia Tbk, the first shariah-compliant Bank in Indonesia. He is also a member of National Shariah Board in Indonesia.

Iggi is actively involved in the Islamic Finance industry, as he has been known as pioneer in Sharia Bonds (Sukuk) market in Indonesia with issuance of the first Sharia bonds of Indosat Mudharabah in 2002. He was also involved in advising for the structuring of the first Sukuk Negara issuance with Ministry of Finance.

Iggi has Investment Manager License and received awards for Best Islamic Fixed-income Mutual Funds from Investor Magazine Indonesia in 2008-2011, when working as Managing Director at PT Insight Investment Management.

In 2012, Iggi served as an Independent Commissioner for AJB Bumiputera 1912, an oldest and the only mutual insurance company in Indonesia. A year later, he also had experience as commissioner in a credit insurance company, PT Jamkrida Jabar, that carries the mandate to help business for cooperatives, micro small and medium enterprises in West Java Indonesia.

Iggi has experiences in the field of investment banking, fund management, insurance, sharia banking, and advisory in more than 18 years. He holds a bachelor degree in Financial Management from Faculty of the Economics University of Indonesia with cum laude honor. He has completed the Global Leadership Executive MBA (GLEMBA) Program, a dual degree between Institut Teknologi Bandung (ITB) and Aalto University Finland.

Arsalaan Ahmed, CEO of HSBC Amanah Malaysia



Oz has a career Islamic finance professional with extensive experience in wholesale and retail banking. He has worked across Europe, the Middle East and Asia. In his early career he distinguished himself in innovating Islamic finance solutions across various jurisdictions and has advised governments on Islamic finance regulation. He is credited with material contributions to the development of the Global Sukuk market, particularly on structuring and considered a subject matter expert. Amongst his many achievements, Oz has originated and executed multiple first to market Sukuk transactions across the Middle East and Asia including of note the first public Sukuk related to Makkah development, the first non-OIC sovereign Sukuk and the first vaccine Sukuk. In 2018 he oversaw the issuance of the World's First UN SDG Sukuk issuance for HSBC Amanah Malaysia (awarded Overall, ESG and Country Deal of the Year by IFN), and represented a Malaysian mission to the UNGA to discuss Islamic finance and its role in achieving the UN SDGs. In recent years Oz has distinguished himself as a thought leader in Islamic finance for social impact and values-based intermediation in banking. In 2018 he was awarded Islamic Banker of the year by The Asset.

Oz started his career as a Strategy Analyst, Financial Services with Accenture London. After that, he joined HSBC Group in 2005 leaving for Barwa Bank of Qatar in 2013 to rejoin in 2016 as CEO of HSBC Amanah Malaysia, HSBC Group's global centre of excellence in Islamic finance.

He holds an MBA with distinction from London Business School's executive program and has a Bachelor's degree from University College London and a Master's degree from The University of Bristol. He is a Chartered Professional in Islamic Finance with the Chartered Institute of Islamic Finance Professionals and a Chartered Banker with the Asian Institute of Chartered Bankers. He is currently an EXCO and Council member of AIBIM, Association of Islamic Banking and Financial Institutions Malaysia. Oz is the first foreigner to hold a position at the AIBIM EXCO.

Dr. Mohamed Ishtiaq Akbar, IsDB Group Regional Hub Indonesia



Currently, Ishtiaq Akbar is the Country Manager in the Islamic Development Bank (IDB) Group Regional Hub in Indonesia. He assigned as relationship and partnership management, business development, and IsDB Group strategy development for the IsDB Member Countries in the South East Asia Region (i.e. Brunei,

Indonesia, and Malaysia).

Prior to this, Ishtiaq was the Operations Portfolio Manager in the IsDB Group Country Gateway Office Indonesia for three years, where he helped to supervise and manage an active public sector portfolio of over USD 2 billion financings from IsDB.

During his career in the IsDB spanning over 13 years, Ishtiaq has worked on managing a cumulative portfolio of more than 20 development projects amounting to more than USD 1 billion, across 10 countries in Asia and Africa. A key highlight of his work was

being one of the pioneers who initiated the Community Driven Development Projects in in the IsDB Group, starting with the ICDD program in Indonesia, in support of the National Program of Community Empowerment (or PNPM-Mandiri).

Ishtiaq Akbar is a Sri Lankan national and he joined the IsDB Group in 2005, after finishing his undergraduate and post-graduate (doctoral) studies in Mechanical Engineering at Imperial College London, UK.

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PRESS RELEASE DAY 1

Blending Islamic Finance and Impact Investment for Sustainable Development Goals

Surabaya, 24th July 2019 – The 4th Annual Islamic Finance Conference (4th AIFC) was held on July 24-25, 2019 in Surabaya, East Java with a theme "Blending Islamic Finance and Impact Investing for SDGs". This conference aims to encourage discussion regarding the contribution and collaboration of Islamic finance with impact investment, and its role in achieving the goals listed in the SDGs.

In his remarks, Deputy Minister of Finance of the Republic of Indonesia conveyed that Islamic finance has the potential for a significant role in impact investment. He explained that the purpose of Islamic investment is to achieve good and avoid the unlawful things, including obligation to give zakat to those who are entitled. This principle is in line with the impact investing principle that emphasizes the achievement of business goals while providing benefits to the community on achieving SDGs. Deputy Minister of Finance, Mardiasmo, also stated that social funds managed with sharia principle in the form of cash waqf could be utilized for various community activities such as sanitation and providing better nutrition for mothers and children. The concept of impact investment in Islamic finance is implemented by the government by issuing *Green Sukuk*, which was used to build 727 km of lanes double-track trains, waste management for 3.4 million households, and 121 generators mini solar electricity.

Various countries are currently focused on achieving the Development Goals Sustainable (Sustainable Development Goals / SDGs) as the world development agenda for the benefit of human

being and planet earth. The funds that needed to achieve these goals is enormous. The 2014 World Investment Report proposes that to reach 17 targets in the SDGs, developing countries still need an additional investment of US \$ 2.5 trillion every year. This additional investment cannot be obtained only by relying on traditional investment models. Innovation is an absolute necessity, and the role of the private sector needs to be strengthened.

Impact Investment is one of this innovation, and it is intended not only to get financial gain or return but also expected to have a social impact or positive effects on the environment. Impact investment and Islamic finance have the same principle. Both strive to achieve business goals in a right way and giving benefits for the whole society and the environment.

In his speech, Wahid Abdelwahab, Director General of Country Relations and Services Islamic Development Bank suggested that integrating potential financial Islam and impact investing can mobilize additional financial resources for sustainable development, increasing the social, environmental, and financial impacts of investment through improved coordination, and accelerated progress towards the 2030 Agenda.

According to Christophe Bahuet, UNDP Indonesia Resident Representative, financing is an essential part of achieving the SDGs agenda by 2030. The combination of Sharia financing and impact investment can create great opportunities to overcome the SDGs financing gap. UNDP expressed its appreciation to the Government Indonesia for organizing this conference in collaboration with UNDP and partners the other. "We hope this conference will encourage the realization of Sharia financing potential to achieving SDGs in Indonesia. UNDP offers a variety of platform to identify solutions that are urgently needed for financing SDGs, and we hope more and

more partners can join to ensure the success of the effort this,"said Christophe Bahuet.

AIFC is an annual Ministry of Finance event that connected policymakers, economists, academics, and industry players, both from the domestic and international sphere to discuss various economic and Islamic financial issues. This conference was held thanks to the collaboration between the Ministry of Finance, Islamic Development Bank Group (IsDBG), National Sharia Finance Committee (KNKS), Association of Islamic Economics Experts (IAEI), United Nations Development Program (UNDP), the World Banks, and Airlangga University. The seminar also organized Call for Paper event to gather new ideas to improve the role of Islamic finance in achieving SGDs.

Achieving Sustainable Development Through Impact Investment

Surabaya, 24th July 2019 - Sustainable Development Goals (SDGs) have become the focus of development in various country, but it requires substantial funding and cooperation from a numerous party. The first panel of the Fourth Annual Islamic Conference discussing the impact investment and its role in achieving SDGs. The panellists of this session consist of Joanne Manda (Innovative Financing UNDP), Thierry Sanders (PT Mekar Investama Samporna), Azam Khan (International Finance Corporation-IFC), Emil Elestianto Dardak (Vice Governor of East Java), and David Soukhasing (Angel Investment Network Indonesia).

Joanne Manda explained that according to the UNDP, Indonesia has great potential and opportunity to impact investment. Indonesia got USD 148.8 Million private investment in 2018 and still have potential from Syariah sector, especially from Zakat, which amounts to 4% of GDP. Therry Sanders suggests a similar view, stating that in the next five years (2019-2023) Indonesia have impact investment potential

around USD 23 Million from different sectors, and it will bring huge effect to the public. The energy sector will have the most significant impact, followed by agriculture and fisheries. These investments have the potential to raise the income of 30 million people, bring education to another 38 million, produce around 4 Gigawatts renewable energy, Etc.

Despite these potentials, investors should be careful about potential risks. Sanders describes explained a few challenges and risk, such as the volatility of the currency, the high tax rate for foreign investors, equity issues, and Old School CSR mentality. The Old School CSR mentality means the CSR fund only donate as charity without long last or meaningful effect on society. Sanders suggested the government to give sectoral incentives, such as incentives for clean energy or drinking water, tax incentives, and incentives for Syariah finance.

The panellist also shares their experience in managing investments that give positives impact on the community and environment. Azam Khan explained the IFC principles that since its application in 1956, ensure all of the projects must raise the community awareness and give positive impact towards society. The IFC projects diversified into various projects, ranging from wind and solar power plant to small and micro business finance. IFC also developed The Equator Principles (EPS), a risk assessment framework to determine, assess, and managing a project social and environment risks.

Other panellists, Emil Dardak, explained the efforts and steps that already taken by the East Java Provincial Government to develop micro, small, and emerging business, focusing on "quality improvement and enhancing capability of Koperasi UMKM based on Syariah and Digitalized principles". This policy is adopted because of the East Java industry structured. Based on data in 2018, 97.12% of

industry categorized as small and micro industries, 2.73% classified as medium, and only 0.15% fall in the large-scale industry. The small enterprises also employed the most substantial amount of worker, reaching to 57.61%.

The last panellists, David Soukashing, explained about the essential role of individual investors in the emergence of successful Indonesia startup companies such as Gojek, Traveloka, Tokopedia, Bukalapak, etc. This phenomenon makes Angel Investor Network Indonesia (ANGIN), drives individual investors to support more entrepreneur to achieve SDGs goals.

Syariah Financial Instrument Innovation for Impact Investing

Surabaya, 24th July 2019 - Syariah Financial Instrument is one of financial instruments with characteristics supporting impact investment. The Second Session of 4th AIFC panellists discussed the role and impact of impact investing. This session speakers consist of Prof. Dato' Azmi Omar (International Centre of Education in Islamic Finance (INCEIF)), Dwi Irianti Hadiningdyah (Ministry of Finance), Matthew Martin (Blossom Finance), and Adiwarmarman Azwar Karim (Karim Consulting Indonesia).

Prof. Dato' Azmi Omar labelled impact investing and Syariah finance as match-made-in heaven. He suggested that both have many similar characteristics and complement each other. This similarity could be observed from not only the ability to link business activity with social activity; both also have identical goals to promote public welfare and financial inclusiveness. The Syariah Investment also has a vast potential to support impact investing. Global Impact Investing Network (GIIN) estimated that investment project that classified as impact investing the amount to US\$ 502 Billion in 2018. This amount to 17% of the worldwide Syariah finance market, which amounts to US\$ 3 Trillion. One of the reasons for the low percentages is some

Syariah finance (such as zakat and waqf) is not recorded formally because conducted directly by individuals.

The other panellist explained the influence of Syariah Financial Instrument to impact investing. Dwi Irianti Hadiningdyah explained about Indonesia *Green Sukuk* that received various international award and acknowledgement. She explained that one of the backgrounds that initiate *Green Sukuk* is Indonesia's condition that prone to natural disasters and climate change. Indonesia pledged to reduce emission by 29% to 41% in 2030 and increase its ecological resilience through various projects. To fund these projects, Indonesia has released its Sukuk in 2018 and 2019, the first one amounted to US\$ 1,25 Billion and the second one, US\$ 750 Million. The First *Green Sukuk* Report that released in February 2019 showed that The *Green Sukuk* fund already show significant effects. It provides fund for 23 Green Project, 727 kilometres of double-track railway, 121 units solar, mini-hydro and micro-hydro powerplant, and support 3,4 million families through household waste management. Consider the significant contribution of *Green Sukuk* towards the SDGs, Dwi suggest increasing the issues of innovative financial instruments either from government or state-own enterprise and private sectors.

Another panellist, Matthew Martin, described the role of Syariah Cooperatives (BMT) to achieve SDGs. There are numerous success stories about how the BMT elevate the public living standard with Syariah lending scheme. Despite these success stories, small scale BMTs often encounter seasonal financial difficulties, especially when the investors withdraw their money to pay school tuition at the start of the semester or holiday expenditures. Sukuk could be used to solve this problem by providing the additional fund to BMTs. Other problems that faced by BMTs are the high operational cost,

complexity, and accessibility. One of the solutions is by using Blossom, a smart Sukuk that offered with blockchain technology.

Adiwarman Azwar Karim closed the discussion by offering one solution to close the vast financing gap of government projects with optimizing charity. Although government projects have a significant impact on society (impact investing), it will have difficulties to attract charity from the public (not optimal Pareto). The government need to give other fiscal incentives, and seed capital to convinces the public about the prospect of the project. The charity could take the form of temporary waqf that given as long as the project is running.

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PRESS RELEASE DAY 2

Various Implementation of Syariah Financing for Impact Investing

Surabaya, 25th July 2019 – In the AIFC Panel Discussion related to the technical aspects of financial implementation Syariah for impact investing, Mohammed Obaidullah from the Islamic Research and Training Institute (IRTI--- ISDB) suggested that the emergence of SDGs adds to the urgency of the impact investing. Nowadays, an investment must consider not only risk and profit aspect but also its impact on various sectors, such as education, health and finance accessibility. The principle of impact investment if coupled with the principles of Sharia will further strengthen the principle that a business must not harm the parties involved in it.

Another panellist, Shaima Hassan (Proposition Manager - Refinitiv) said various countries and Islamic financial institutions have long carried out impact investing, so it has played an active role in the success of the SDGs. Some examples are the Indonesian government through publishing *Green Sukuk*, Pakistan with renewable energy financing, Malaysia is accelerating Islamic finance, and Bahrain with Islamic fintech projects and issuance of pro-environment Sukuk issuance. On the other hand, various CSR programs have also been carried out by Islamic companies.

One of organizations established to accomplish synergy between Islamic finance and impact investing to fund the achievement of SDGs is Global Islamic Finance and Impact Investing Platform (GIFIIP). GIFIIP, which was established by IsDB and UNDP on 5 May 2016 in Jakarta, has three pillars of strategy: capacity building, advocacy, and mediation. Some examples of products and activities

initiated by GIFIIP are making analysis, conducting training programs, conferences, and benchmarking related to Islamic finance and impact investing. Gulcin Salingan from UNDP's Istanbul International Center for Private Sector in Development (IICPSD) said that GIFIIP not only initiated the issuance of *Green Sukuk* but also plays an active role in various international meetings related to SDGs.

Impact investing in Indonesia also supported by the existence of a fatwa issued by the Assembly of Indonesian Ulama as a non-governmental organization that aims to lead, foster, and protect Muslim communities in Indonesia. Muhammad Maksun explained the fatwa that related to sharia finance and business are specifically published by the National Sharia Board (DSN). DSN has issued 125 Fatwas, some of the fatwas are related to impact investing such as non-halal returns arrangements, ultra-micro funding, endowments for insurance, sharia health social security, sharia tourism, and Sharia hospitals. Fatwa Number 123 Year 2018 related to non-halal returns regulated that non-halal returns must be immediately used for Muslim societies that comply with Islamic principles such as to support education and other public benefits.

The Annual Islamic Finance Conference (AIFC) is the Fiscal Policy Agency, Ministry of Finance's annual event that bringing together policymakers, economists, academics, and industry players to discuss various economic and Islamic financial issues both in Indonesia and in the world. The 4th AIFC in Surabaya raised the theme "Blending Islamic Finance and Impact Investing for the SDGs."

The Role of Cash Waqf in Impact Investing

Surabaya, 25th July 2019 – Di tengah perlambatan pertumbuhan keuangan syariah beberapa tahun terakhir, impact investing justru tumbuh cukup tinggi. Menurut US Forum for Sustainable and Responsible Investment, impact investing mengalami pertumbuhan hingga 38% dari USD8,7 triliun pada tahun 2016 menjadi USD12 triliun pada tahun 2018. Oleh karena itulah, ekonom Ikhsan Modjo dalam diskusi panel AIFC sesi 4 “Islamic Sosial Finance and Impact Investing” menilai Sustainable, Responsible, and Impact Investing (SRI) memberikan peluang bagi pertumbuhan keuangan syariah. “Satu hal yang menarik dan menjadi tantangan bagi impact investing syariah adalah penentuan maqasid syariah (tujuan syariat islam). Aktivitas impact investing syariah menghasilkan suatu keuntungan dimana atas keuntungan tersebut sebagiannya harus disalurkan kepada maqasid syariah,” ujar Ikhsan Modjo.

Salah satu skema yang dapat diimplementasikan dalam impact investing syariah adalah wakaf tunai. Md. Anwarul Azim Arif dari Social Islami Bank Limited menyampaikan bahwa lembaganya mulai memperkenalkan skema wakaf tunai pada Tahun 2004. Dalam skema ini, dana yang dikumpulkan kemudian diinvestasikan dan keuntungannya digunakan sesuai dengan keinginan dan harapan wakif (pemberi wakaf). Salah satu tujuan dari skema ini adalah menjadikan bank sebagai fasilitator bagi keseluruhan proses manajemen wakaf tunai. Wakif dapat memilih area yang diinginkan untuk mendapatkan dana wakaf, seperti family rehabilitation (seperti pengentasan kemiskinan), pendidikan dan kebudayaan, kesehatan dan sanitasi, ataupun social utility service (seperti pemberian bantuan hukum bagi masyarakat miskin).

Sementara itu, Imam Teguh Saptono (Badan Wakaf Indonesia) menyebut bahwa Islam sejak abad 15 sudah menyadari pentingnya memperhitungkan isu sosial ke dalam bisnis. Namun, business framework yang berkembang saat ini kurang sesuai dengan islamic

model. Atas permasalahan ini, Imam mengajukan dua solusi untuk mewujudkan kembali dunia bisnis yang islami dan berdampak sosial, yaitu (i) mendorong pengembangan instrumen syariah, terutama di area ijtihad yang menghasilkan fatwa baru dan (ii) mengembalikan posisi lembaga keuangan islami, seperti wakaf, untuk lebih mengambil peran di masa sekarang. Beliau juga memprediksi, penduduk generasi muda di 2035 akan banyak didominasi golongan yang berdaya secara ekonomi, lebih bahagia dan pemurah, namun di sisi lain tidak tersedia instrumen syariah yang mumpuni. Oleh karena itu, salah satu solusi adalah mengembangkan instrumen syariah sejak dari sekarang, misalnya wakaf linked Sukuk dan Sukuk linked wakaf. Selain itu, hal yang sangat penting adalah membangun bisnis yang berasal dari dana wakaf tunai yang telah terkumpul.

Annual Islamic Finance Conference (AIFC) adalah event tahunan BKF Kemenkeu yang menghadirkan para pembuat kebijakan, ekonom, akademisi, dan pelaku industri untuk mendiskusikan berbagai isu ekonomi dan keuangan islam baik di Indonesia maupun di dunia. Dalam gelaran ke-4 di Surabaya ini, AIFC mengangkat tema "Blending Islamic Finance and Impact Investing for the SDGs."

Government's Assistance Towards Syariah Finance to Achieve SDGs

Surabaya, 25th July 2019 – AIFC, an FPA Ministry of Finance's annual event, is closed by the fifth-panel discussion titled "Role of Government to Support Islamic Finance for Impact Investment". This event presents policymakers, economists, academics, and industry players opportunity to discuss various economic and Islamic finance issues in Indonesia or the International area. Expert Staff on Economic Synergy and Bappenas funding, Amalia Adininggar Widayasanti, emphasized that Indonesia is fully aware of the

importance of SDGs. One of the steps that already taken by the government is by launching the 2019 Voluntary National Review, a report that contains the implementation of the SDGs of the Republic of Indonesia. The government of Indonesia also prepared an Indonesia's Roadmap of SDGs from 2017 to 2030. Amalia explained that "to reach the SDGs, Indonesia faces challenges of mobilization of vast amounts of funds and the state budget can not fully fund it. Bappenas sees that Islamic finance is one source of funding that could be mobilized and the Indonesia Islamic Economic Masterplan 2019-2024 have been arranged to utilize it". This plan consists of 4 steps; strengthening the halal value-chain, strengthen Islamic finance, strengthen Islamic MSMEs, and strengthen the digital economy of Islam. Some example of the concrete implementation of the programs is the appointment of Bengkulu province as a pilot province to make 17 points of the SDGs.

Another panellist, Arsalaan Ahmed (HSBC Amanah-Malaysia), gave an overview of the Malaysian government's role in impact investing, especially as a catalyst to encouraging the private sector to take part in impact investing. The government support could be implemented by being an investor, create attractive schemes, mobilize social funds, provide tax incentives, and mobilize capital market or bank. Banks, as an important actor in impact investing, is imposed with Value Based Intermediation (VBI) that designed according to the concept of value-based banking. Malaysia Sharia Banks's commitment to adopt VBI is a significant step taken by the industry to identify Islamic finance sustainability practices. This also increases the initiatives for process, practices, offers and behaviours that promote sustainable business and community.

In the same discussion, the Expert Staff of the Minister of Finance of the State Expenditure, Suminto, said that Indonesia aspires to become a developed country in 2045 with specific indicators. In

principle, Islamic economics and impact investing have the same recipe for success and goals, explicitly supporting Indonesia's goals to become a developed country. The private sector is the main actor in impact investing, but the government could contribute by establishing a good environment for the growth of the private sector. Suminto also explained that based on Urban Institute's research, there are several reasons the government need to developed impact investment. (i) The government has limited resources, (ii) The government is more likely to find creative soluton by involving private sectors, (iii) Government's experience in managing social and environmental issues could be a valuable input for private sector in making impact investment.

PRESENTATIONS

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