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Resilient nations.*

Social Finance and Social Enterprises: A New Frontier for Development in Indonesia



A report prepared for UNDP by ANGIN



With the support from the Canadian Embassy in Jakarta



CONTEXT	4
CHAPTER I: REGULATORY ANALYSIS	
1.1 Social Enterprise Regulatory Constraints	10
1.2 Regulations Concerning Making Investments in Indonesia	12
CHAPTER II: SOCIAL FINANCE PROOF OF CONCEPT	
2.1 Social Finance Activities in Indonesia	15
2.1.A Capital Market in Indonesia.....	15
2.1.B Social Finance Instruments Used in Indonesia	17
2.1.C Mapping the Social Finance Landscape in Indonesia.....	19
2.1.D Zooming in on Several Investors	21
2.2 Social Enterprises in Indonesia	22
2.2.A The Portrait of Indonesian Social Enterprises	22
2.2.B The Portrait of Funded Indonesian Social Entrepreneurs (Founder's Side)	
.....	24
2.2.C Pipeline of Potential Companies.....	27
2.3 Social Enterprise Enablers in Indonesia.....	27
2.3.A Growth of the Enablers.....	27
2.3.B Case Example of Enablers	28
2.3.C Key Findings from Discussions and Surveys.....	29
2.4 Recommendations for Action	30
CHAPTER III: Impact Monitoring Framework	
3.1 Understanding Global Impact Metrics Frameworks.....	36
3.2 Impact Logic: Applicable Framework for Early-Stage Social Enterprise in Indonesia	
.....	39
3.3 Impact Framework Relationship with SDG Tracking	40
3.4 Recommendations.....	40
APPENDIXES	42

This report has been prepared by ANGIN (Angel Investment Network Indonesia) for UNDP Indonesia. It is the results of primary, secondary market research, analysis of information available or provided to ANGIN and a range of interviews with industry participants conducted over a month-period (November 15th, 2016 to December 12th, 2016). ANGIN makes no representation or warranty, express or implied, that such information is accurate or complete. The information and analysis herein does not constitute advice of any kind, is not intended to be used for investment purposes, and neither ANGIN nor any of its subsidiaries or their respective officers, directors, shareholders, employees or agents accept any responsibility or liability with respect to the use of or reliance on any information or analysis contained in this document. This work may be published, transmitted, broadcast, copied, reproduced or reprinted in whole or in part without the explicit written permission of ANGIN.

LIST OF APPENDIXES

	Page
APPENDIX I: Regulatory Constraints in Each Stage of Company Lifecycle	42
APPENDIX II: Sector Specific Regulatory Constraints Faced by Social Enterprises.....	49
APPENDIX III: Regulatory Constraints Faced by Investors	51
APPENDIX IV: Type of Angel Investors in Indonesia.....	56
APPENDIX V: Indonesian Government Related Investment Schemes	56
APPENDIX VI: Impact Investor in Indonesia	57
APPENDIX VII: Transactions from 2015 to 2016	58
APPENDIX VIII: Example of Social Enterprises	60
APPENDIX IX: Social Enterprises and Their Impact Metrics	68
APPENDIX X: Definition of the Enablers Active in Indonesia	69
APPENDIX XI: Enablers Evolution Since 2010	70
APPENDIX XII: Enablers Active in Indonesia as of 2016	70

Before delving into the social finance ecosystem, we need to define a few key terms for the report:

- **Social finance:** The European Union (EU) defined social finance not only the action to finance social enterprises or initiatives with social and environmental benefits, but also as the sustainability of financing¹. Therefore, when ANGIN discusses social finance, it does not only consider the financing instruments, but also explore the greater supply and demand of the marketplace for social investments.
- **Social enterprise:** ANGIN defines social enterprises are financially sustainable businesses that: (a) are intentionally missioning to solve a pressing social or environmental problem, (b) are aiming to generate market-based revenue and profitability to sustain their business, (c) and have a commercial entrepreneurial mindset to grow their business and impact.
- **Impact investment:** Global Impact Investment Network (GIIN) describes impact investment as investments that are being made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a compelling financial return.

Context

The discussion on social finance has a development tool has been on the rise in Indonesia for almost over a decade with Muhammad Yunus' Grameen Bank winning the Nobel Prize in 2006, the slowdown of government grant-based activities due to the economic turmoil in the 2009, and the urge from foundations and governments to provide more sustainable financing for social initiatives. It gradually started to raise from a limited number of pioneers (e.g. Grameen Foundation, Kinara Indonesia, ANGIN Women Fund) to a larger group of organizations, domestic and from overseas.

A lot of enthusiasm has surrounded social finance over the last two (2) years. A plethora of communities, reports, forums and funds interests have sprouted up around the South-East Asia region with a focus on Indonesia. To give a perspective to this excitement, raise certain key questions and support UNDP in its mission to impact the social finance development, ANGIN has researched the social finance ecosystem over a month, in a broad approach, looking at different layers of the ecosystem; the regulatory constraints affecting social enterprises, the buy-side (investor), sale-side (social enterprise) and support-side (enablers) which comprise the social finance ecosystem.

From its conclusion, ANGIN sees the Indonesian social finance ecosystem slowly **transitioning to its growth stage**², having passed the nascent stage within the last seven (7) years. Some figures are demonstrating sign of this transition: There is a growing number of social enterprises in Indonesia. As an example, ANGIN receives approximately ten (15) social enterprises funding proposal per month compared to last year (2015) deal flow when it received about four (4) proposals per month. There is also a higher number of funded social enterprises in the past two (2) years, with an estimated **USD 20 million newly invested capital** into social enterprise over the past two (2) years (approximately USD 43 million from USD 23 million invested in 2014)³.

¹ A recipe book for social finance, European Commission, file:///C:/Users/TNATALIA/Downloads/KE-01-15-889-EN-N_corrige%C3%A9.pdf

² We refer to the categorization into three (3) categories: nascent, growing and mature based on the BCG report on social enterprise The Art of Sustainable Giving (2014)

³ ANGIN data

Additionally, ANGIN sees a transition from social enterprises that solely focus on social impact towards financial sustainability, supported with the **growing interest of younger generations** in the space as well as returning Indonesians who have studied abroad. There is also an increase in the number of accelerators, active government programs such as 1,000 startups digital, and BEKRAF (Government's Creative Economy Agency) programs, providing a trickle-down effect to social enterprises although they mainly cater to tech startups. There are movements for Jakarta to apply for the first Impact Hub⁴, which will trigger social impact investments activities of different stakeholders. Moreover, ANGIN witnesses an inception of **ecosystem consolidation** with several practitioners synergizing resources (e.g. collaboration PLUS and ANGIN in database collection) or starting to work from the same office space (e.g. Kinara, PLUS, UnLtd sitting in SMESCO, government owned building in South Jakarta).

The social finance landscape (buy-side) in Indonesia is slowly transitioning too. This year (2016), several foreign-based impact investors (estimated at 25) are looking to enter Indonesia – mainly operating with a remote team or by looking for local partners, namely among others Garden Impact, the Global Innovation Fund and Phi Trust. Indonesia is also attracting global investors to consider setting up operations in South East Asia, namely the Melloy Fund by RARE, a non-profit that focuses on sustainable fishing based in the US (which announced its first investment in December 2016). The fund is set up to be disbursed to Indonesia and the Philippines. But despite this traction of impact investors, there are **still very few players in the ecosystem compared to more mature markets** such as the UK at USD 490 million AUM (Assets under Management) per annum⁵ in 2014 alone.

This transition period does not mean that the case for social finance is yet to be proven in Indonesia. For the social finance to grow and to unlock its full potential, there are **several key challenges** that refrain more social finance from being deployed in Indonesia:

1. Limited number of compelling social enterprise business models operating at scale: Most social enterprises cannot fully finance their operations or growth through market base revenue or external investment. They are not profitable enough to access traditional financial markets. Some companies ANGIN encountered provide goods and services to customers who are willing to pay premium for certain products (i.e. directly sourced like Krakaoa or organic certified food like Javara). Others, distribute needed services to less advantaged customers at a reasonable markup while offering more affordable services than other providers'. But the social value provided to less advantaged population with private financing often exceeds the pecuniary return. Many Indonesian social enterprises survive only thanks to government subsidies, charitable foundations, and some high net worth individuals who are willing to donate or receive lower financial return on their investment in social projects. Many companies are not building up on a compelling business model and core strong business, and instead, grow by aggregating services or goods that are not fully related to their core business. There is low potential to fully operate at scale, which will be important to deliver larger impact while maintaining financial sustainability (i.e. economy of scale). Very few Indonesian social enterprises can generate enough value creation (profit and return expectation) to be funded by impact investors.

2. Limited number of successfully funded social enterprises and no exit case: There have only been a few social enterprises funded in Indonesia and none had offered exit to the investors. One of the early pioneers and perceived success example was PT Ruma (Rekan Usaha Mikro Anda), which was funded by Omidyar Network and Unitus Impact in 2014. Yet impact investing activities slowed down in 2014–2015,

⁴ Impact Hub is a global chain of co-working space and incubator that focuses on supporting social enterprises. Impact Hub had been in discussion for many years to set up a chapter in Indonesia, which had not been successful up to now

⁵ BCG report

followed by the exit of three (3) impact investors from Indonesia due to difficulties in finding suitable pipelines or internal restructuring, namely Grameen Foundation, Grass Roots Business Funds (GBF) and LGT Venture Philanthropy (LGT VP). Only recently in 2016 were three (3) investments made in social enterprises in Indonesia with some publicity, which are Vasham, Bali Sea Food and Du'Anyam. Vasham is a social enterprise that aims to improve the livelihood of staple crops farmers through better financing options, capacity building and access to market. It received funding from Unitus Impact and Mercy Corps Social Ventures⁶. Bali Sea Food is a sustainable fishing social enterprise operating in Eastern Indonesia which received funding from Aavishkaar, and Du'Anyam is a wicker products manufacturer that aims to improve maternal health for mothers in Flores, East Indonesia which received funding from ANGIN investor. With this low number of successfully funded social enterprises, with a relatively young investment tenure, makes it too early for their impacts to be assessed. The case for impact investing in Indonesia remains unproven. The absence of this proof of concept refrains corporates, government bodies and more established institutions that have a relatively low appetite for risk.

3. Mismatch between impact funds and the social enterprises' ability to absorb this capital

a) Ticket size gap: Social enterprises in Indonesia are facing small-ticket size funding gap. More than 70% of social enterprises in Indonesia are in the pre-seed and seed stage. On average, they would require funding ranging between USD 10,000 to up to USD 150,000⁷. Seed stage Indonesian social enterprises may not be ready to absorb capital injection beyond the range. Most of these enterprises are still trying to validate their business model and fine tune their product for the right market fit and have yet to plan for expansion, that will require a larger amount of capital. Many of the current and prospective social impact investors come from overseas with a larger ticket size offering (USD one million onwards), but very few can come to cover the smaller ticket size needs in the hundreds or thousands USD range. The impact investors may be less willing to disburse smaller tickets purely on the grounds of cost-to-return ratio. The cost of doing due diligence for investment in a smaller ticket size is the same as the cost in a later stage with a larger ticket size. On the other hand, there are still few angel investors who are willing to come in an earlier stage and take a bigger risk to support the social enterprises.

b) Instrument gap: Most of the impact investors are offering equity or quasi equity (i.e. convertible note) financing schemes to the social enterprises, while several social enterprises encountered need loans. In comparison with an equity investment, a loan poses almost the same risk since most loans are uncollateralized, have weak law enforcement ability in case of non-repayment and face difficulty to hedge the currency risk. In the end, there is no incentive for impact investor to use this instrument, as a loan will be as risky as an equity transaction.

4. Minimum availability of domestic champion investors: Successful domestic Indonesian investors who are knowledgeable about the Indonesian market and understand the rules of doing businesses in the country will be more likely to understand the risk of deploying capital in an emerging market compared to investors from more developed economies. In addition to the lack of local investors, local capital providers and financial institutions (e.g. corporations, foundations, banks) that have executed their interest in social financing with a social finance implementation (i.e. actually investing). This may be primarily due to; (1) the risk entailed in investing in an un-proven concept, (2) limited understanding on the know-how to do investment in Indonesia and, (3) minimum education on the need for local

⁶ <http://unitusimpact.com/mercy-corps-social-venture-fund-closes-investment-vasham/>

⁷ BCG report; ANGIN reference

champion investors to boost the social enterprise investment market in Indonesia. Having more local champion investors who are willing to take more risk – given their background in doing business in Indonesia – will not only benefit the social enterprises they invest in. It can also serve as a pioneer and a proof of concept for government institutions to push for greater policies supporting social enterprises. ANGIN sees the potential to engage more family foundations, local banks and individual investors in developing a local pool of champion investors to bring more social finance capital, especially in sectors, geographies and risk profiles that most overseas- based investors are not tackling.

5. Limited number of impactful capacity building structures: Existing enabling organizations (organizations that focus on capacity building for social entrepreneurs mostly have an NGO style of management, that focuses more on generic support in the form of workshops and classrooms and has the downside of reliance on a donor. Most of the advice that is given is on building businesses (business canvas), while sector-specific problem-solving is barely touched. There is also a limited connection to the funding side, which brings the KPI (Key Performance Indicator) and success stories into question. There is still a low access to strong mentors and industry experts pool because most of the programs rely on voluntary support from the mentors. Only a few of them focus on sector-specific solutions and business model validation. As an example, very few enablers help social enterprises solve the demand gap for their products/services (market access and sales improvement).

Beyond Indonesia, various social challenges are also happening in other developing South East Asian countries and each country is at a different level. For example, Thailand has steadily tackled its poverty issues from the rate of 21.0% (in 2000) to 12.6% (in 2012)⁸. The country's conducive business ecosystem supports the sprouting of Social Enterprise as there are more than 500 social enterprises and up to 166,000 aspiring ones. The support from Thailand's government in catalyzing the growth of social enterprises is also manifested in the Thailand Social Enterprise Organization (TSEO) and its funding budget of USD 3 million - 4 million channeled through TSEO⁹.

In the Philippines, there are cases where corporations serve as the vanguards of social enterprises. The Ayala Corporation together with Pearson has set up the Affordable Private Education Centers (APEC), which is a chain of affordable secondary schools that focuses on employability and life skills based in metro Manila¹⁰. In 2014 alone, the schools admitted 1,000 enrollees, paying a one-time admission fee of P 4,000 (USD 80) and 10 monthly instalments of P 1,900 (USD 38).

On the other hand, Vietnam's social enterprises are still facing many challenges. Social enterprises do not have a solid legal framework and there is no clarity whether an NGO can earn profits. The limited policy incentive for social enterprises may slow down growth and therefore hinder the SEs from making their impacts.

India could potentially become a role model for Indonesia on social financing. The impact investment climate of India is more active compared to other Asian regions, as India is known for its strong entrepreneurial business pipeline. Most investment activities in India are carried out by DFIs and MFIs. Until 2014, India has already had 50+ impact funds with over USD 1.6 billion AUM. This rise of diverse investing in India is believed to be the result of investments in micro financing that have been carried out in the last 20 years, with investors being keener on financial services and energy sectors. Despite the large funds coming in to India, only the southern and western regions of India have the access to the

⁸ <http://www.th.undp.org/content/thailand/en/home/countryinfo.html>

⁹ BCG Report, The Art of Sustainable Giving

¹⁰ <https://www.affordable-learning.com/portfolio/apec.html>

capital. Around 70% of funds have concentrated investment activities in these specific regions (a lot of impact funds are not operating across the country¹¹).

One of the most renowned social impact bonds (here the term used will be Development Impact Bond - DIB) cases in India is Educate Girls (EG), a collaboration between Children Investment Fund Foundation (CIFF – UK based philanthropy), ID Insight (impact-focused research consultant), Intaglio (U.S.-based non-profit organization), and UBS Foundation. The result-based financing project started in the first semester of 2015. EG project is the first Indian organization to make use of DIB to launch a Payment-by-Results (PbR) program. Although India is considered as one of the emerging markets in the world, it only allocates 3.8% of its GDP to education, lower than its BRIC (Brazil, Russia, India, China) countries. There are approximately three (3) million¹² girls out of school as they are living in an underserved community in India due to gender inequality, and this is what the Educate Girls project is trying to solve. Through village community empowerment and public school quality improvement, EG brings a scalable and replicable impact movement to change Indian current education system, bringing more access to girls. EG DIB remains active and is already present in 12,000 schools around more than 8,000 villages today. Another similar case of the success impact investment bonds have created also happened in the UK (Peterborough Prison) where it helped inmates reintegrate into society. Learning from the case studies in the Philippines, Thailand and the UK, there are more innovative ways that balance investors' risk and the ability of social enterprises to deliver their impact beyond straight equity and debt. It is high time for Indonesia to start exploring new types of financing, developing proof of concept, supporting efficient new ways to support companies in their earlier stage and unleashing the true potential of social enterprises.

¹¹ <http://capria.vc/updates/global-trends-impact-india/>

¹² <http://www.educategirls.ngo/Who-We-Are.aspx#milestones>

CHAPTER I: Regulatory Analysis

Indonesia ranks 91st on overall ease of doing business ranking in 2017, which is an improvement from the 106th rank in 2016¹³. This means that progress has been made by the government to help businesses in Indonesia, yet there are still a lot of challenges to tackle. Not only from a regulatory point of view, the remaining inefficiencies and constant political uncertainties in such large emerging market are another challenge for entrepreneurs. The Indonesian government continually intends to make regulatory improvements, namely the lower capital threshold for getting a PT (Limited Liability Company) license as stipulated by the incumbent President Jokowi at IDR one (1) million, and the single window policy for investment in Indonesia among others¹⁴. With regards to the startup and social enterprise space, there are still a lot of grey areas in the financial technology and healthcare sectors (i.e. crowd funding, telemedicine)¹⁵. This grey situation can be leveraged for startups and social enterprises to try their business model, but their business continuation relies heavily on how the government decides to regulate them (some companies got their operation frozen by regulatory bodies, being asked to stop their operations until the proper license is gotten).

Overall the atmosphere of the regulatory environment for social entrepreneurs is starting to evolve. The National Development Planning Agency (BAPPENAS) has included regulatory assessment for mission-driven startups in the National Legislation Planning (Prioritas Prolegnas 2015)¹⁶. Yet discussion on social finance regulations remains limited. An attempt by the Indonesia Chapter of the World Economic Forum (WEF), Indonesia Initiative, to set up the Indonesia Impact Investing Fund (IIIF) in 2013 had not been fruitful due to strict regulations from the Financial Services Authority (OJK)¹⁷. The effort was led by Indonesia Initiative together with multiple parties including Syailendra Investment, Kinara, and the Boston Consulting Group. The team had set up an impact investing structure leveraging State Owned Enterprise (SOE) and Corporate Sustainable Responsibility (CSR) funds, with pilot into three (3) micro-financing investees. The fund was called *Reksadana Indonesia Sejahtera I* and was planned to run for five (5) years. However, the OJK was not convinced in the wake of recent major incidents with fraudulent microfinance institutions at the time (i.e. defaulting and fraud cooperatives)¹⁸. Financial institutions such as the ADB (Asian Development Bank) and the IFC (International Finance Corporation) have conducted active research in the space, but proof of concept remains lacking¹⁹. Social enterprises benefit from the active effort of the startup ecosystem to lobby with the government in certain sectors such as financial technology. It is aided with the launch of E-commerce legislation support, 1,000 Startups digital movement, BEKRAF (Ministry of Create Economy) and fin-tech working groups lobbying with the government. However, none of the efforts directly focus on mission-driven enterprises or social enterprises.

¹³ <http://www.doingbusiness.org/data/exploreeconomies/indonesia>

¹⁴ <http://finance.detik.com/berita-ekonomi-bisnis/d-3199384/paket-ekonomi-jilid-xii-jokowi-urus-siup-dan-tdp-29-hari-jadi-hanya-1-hari>

¹⁵ Interview with Siregar & Djojonegoro

¹⁶ <http://www.dbs.com/iwov-resources/pdf/indonesia/social-good/Berani-jadi-SE-24Jun2015-final.pdf>; To be validated with interview with Veronica Colondam, CEO and co-founder of YCAB, advocator of social entrepreneurship

¹⁷ <http://www.indonesia-initiative.com/activity/indonesia-impact-investment-fund/>

¹⁸ Some of the examples are Cipaganti Cooperative, Langit Biru Cooperative

(<http://bisniskeuangan.kompas.com/read/2014/06/24/1053193/Cipaganti.Tegaskan.Bos.-nya.Ditahan.karena.Kasus.Koperasi>)

¹⁹ Developing the Business Case for Investing in Inclusive Business in Indonesia, 2013, ADB, Ford Foundation and SNV

This chapter is divided into two (2) sections. The first section will discuss the regulations that social enterprises (as business entity) must comply with throughout their life cycle, from **(a) inception**, **(b) growth** to, **(c) scale up stage**, and the second section will consider the challenges that investors face when investing in Indonesia.

Section 1: Social Enterprise Regulatory Constraints

ANGIN has identified the regulation requirements, constraints and supports that most social enterprises face along their lifetime as summarized in the following table. For the full regulations for your reference, please see the ***Appendix I and II***

Table 1: Social Enterprise Regulatory Constraints (Please refer to ***Appendix I*** for detailed regulation reference)

Sector	Inception	Growth	Scale
Legal	<p>1. Setting up legal entity is troublesome. Not all entrepreneurs know the different rights and responsibilities between PT/CV/Firma/Cooperatives/PT PMV status</p> <p>2. High level of bureaucracy. Establishing a PT can take up to 60 days, otherwise entrepreneurs must spend money hiring a lawyer</p> <p>3. Additional bureaucracy and expense to obtain sector specific licenses. It will be discussed separately</p>	<p>1. Limited understanding on rights and responsibilities when receiving investment. There is limited resource and multiple agencies to align with to obtain investments of domestic or foreign money (i.e. PT PMA, etc.)</p> <p>2. Minimum understanding on intellectual property rights. Few social enterprises know the differences between different intellectual property rights (i.e. Copyright & branding) and the procedure to obtain them</p>	<p>1. Different regulation to comply with when expanding to other markets (i.e. Franchise, Export Import). When expanding to different countries or operating in different provinces, there is a new set of provincial government agencies to deal with</p> <p>2. Vagueness in obtaining innovative source of funding such as from crowd funding. The difference between crowd funding and IPO regulations remains unclear</p>
Finance and Governance	<p>1. Opening bank account (Giro) is difficult. Need to have proper PT with established governance and recommendations from another company with Giro</p> <p>2. Minimum two co-founders. Limiting options for single co-founder to start a company</p>	<p>1. Accounting and reporting responsibility. Subpar financial literacy poses challenges for entrepreneurs to submit proper reporting to their shareholders</p> <p>2. Lots of requirements to apply for microloans (KUR). Minimum 6 months' operation, certain collaterals for specific types of KUR</p>	<p>1. Restricting in controlling money transfer in and out of the country. International Fund Transfer Instructions (IFTI) enforces background checking on every international transfer, prolonging the process of disbursement</p>

Human Resource	<p>1. Ability to find talents with the required competence, salary range and social mission.</p> <p>2. Regulation on providing healthcare and other employee benefits (BPJS).</p> <p>3. Regulation on hiring expatriates.</p>	<p>1. Limited knowledge in structuring Employee Stock Options Pool (ESOP)</p> <p>2. Ability to retain talents</p> <p>3. Ability to hire senior talents</p>	<p>1. Ability to attract new talents in a new market or mobilize talents</p> <p>2. Regulation on hiring and providing benefits to expatriates</p>
Taxation	<p>1. No incentives for corporates to partner with PT as CSR. Corporations and State Owned Enterprises in some cases can only (or would only) prefer to partner with Foundation or Non-Profits and budget it under CSR Fund</p> <p>2. No tax incentive for Foundations to become PT and be financially sustainable. Social enterprises established as foundations may lose non-taxable-income rights on grant, perpetuating dependency to grant</p>	<p>1. Tax compliance. Even at pre-revenue stage, PT must comply with tax on salary, wages, royalty, allowance and any other income under any name and form in relation to its position, service, and others</p> <p>2. Limited understanding on tax incentives and exemption. For example, companies with revenue below IDR 4.8 billion is exempted from Pph or labor-intensive companies also may receive tax incentives</p>	<p>1. Tax compliance. PT must comply with tax on salary, wages, royalty, allowance and any other income under any name and form in relation to its position, service, and others. It also possibly abides to different Pajak Daerah (provincial tax). When founders want to sell their share, they must comply with the capital gains tax</p>

Based on our interviews with social enterprises, ANGIN identified regulatory challenges in setting up and running the businesses, but there are also constraining sector-specific regulations in each sector. We are reviewing some key sectors: **(1) Healthcare, (2) Food and Beverage (F&B) and Agriculture, (3) ICT, (4) Renewable Energy** and, **(5) Education**. For detailed regulations for your reference, please see the *Appendix II*:

Sector	Challenges
Healthcare	<ul style="list-style-type: none"> Multiple permits required to open a clinic; such as 'Klinik Pratama' for General Practitioner services and 'Klinik Utama' for specialist services, and another permit for assistant pharmacists to open a pharmacy to sell medicine Requirement to do physical checks to prescribe medicine - limiting online-based social enterprises to provide medicine Limitation on foreign healthcare practitioner to operate in Indonesia – impossibility for foreign health practitioner to practice in Indonesia

	<ul style="list-style-type: none"> Multiple labels and licenses required in producing pharmaceutical and health products including BPOM, National Standard (NSI) and Halal
F&B	<ul style="list-style-type: none"> Multiple labels and licenses required in producing food products including BPOM, National Standard (NSI), Halal and regulations on food label. BPOM license is the toughest because startups may not have the required assets to meet the standards Strict regulations applied for franchise permits including minimum tenure and registered intellectual property rights as well as what permits are transferable between franchisee and franchisor Government subsidy (e.g. centralized subsidized fertilizer distribution) in the sector, limits the space in which social enterprises can work and help
ICT	<ul style="list-style-type: none"> Law enforcement on intellectual property rights remains weak. Piracy on creative products such as music and movies is prevalent and difficult to regulate Regulation on data privacy is still unclear
Energy	<ul style="list-style-type: none"> Hard to obtain permits to work as electricity supplier due to centralized electricity supply managed by PLN – Area of operations, operation plans and tariffs need to be approved by PLN
Education	<ul style="list-style-type: none"> Strict rules on school accreditation that must be done every five (5) years as well as other national standards to comply

Please refer to **Appendix II** for detailed regulation reference.

Despite the regulatory constraints that social enterprises face, there are supportive regulations such as mandatory CSR expense for companies as well as labor-intensive industries.

Section 2: Regulations Concerning Making Investments in Indonesia

From the perspective of foreign investors, regulatory challenges that most of them face are:

- **Bureaucracy in clearing legal requirements for foreign investments.** For foreign institutions to directly invest in a PT, the PT must be listed as a PT PMA (foreign owned company license) or PT PMV (Modal Ventura). Minimum paid-up capital for PT PMA can be considered large for most entrepreneurs (IDR 2.5 billion), not to mention the set-up cost (around IDR 25 million). Information on the procedure and requirement to acquire the right legal entity is hard to obtain since it may differ from sources to sources. This hassle leads to many investors choosing to set up their company in Singapore²⁰.
- **Limited avenues to invest due to negative list.** Foreign institutions are limited in terms of sectors to invest in and the amount of investment that can be placed in select types of companies.

²⁰ Interview with Siregar & Djojonegoro Partners

- **Operational challenges to set up presence due to foreign employment regulation.** There is several regulations to ensure that Indonesian talents are protected, such as a minimum ratio of 1:1 foreign and local worker, and restriction for foreigners to practice in certain sectors.
- **Exposure to financial risk due to regulation to disburse investment in local currency.** Every transaction inside the Republic of Indonesia must be conducted in Indonesian Rupiah to boost the IDR value, which exposes investors to currency risk.
- **Limited information on tax compliance and tax holiday schemes.**
- **Absence of tax Incentives.** The Indonesian government doesn't have many tax incentives to boost mission-driven enterprises, unlike Singapore, which drives many foreign companies to set up legal entity in Singapore while operating in Indonesia.

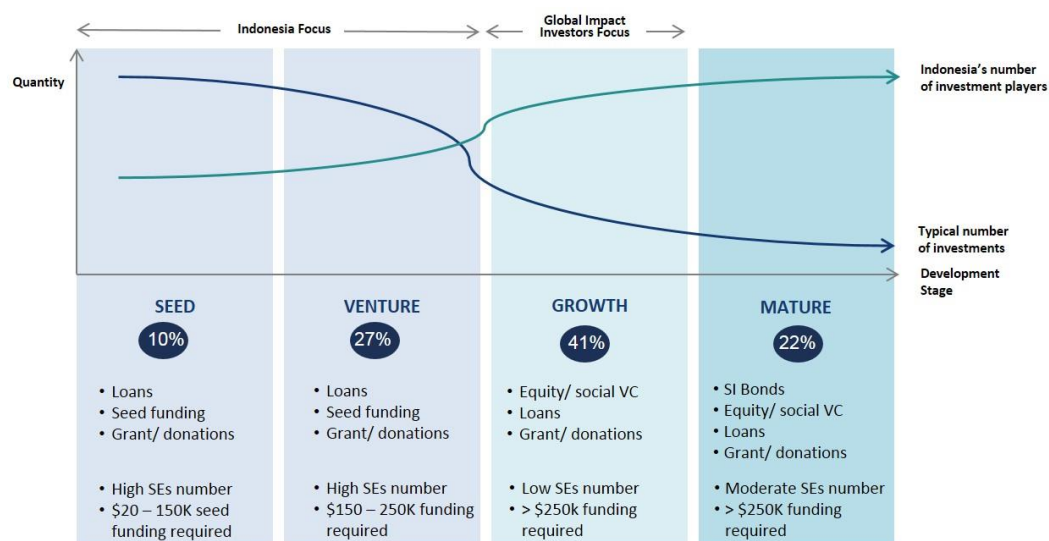
Please refer to **Appendix III** for detailed regulation reference.

CHAPTER II: Social Finance Proof of Concept

While transitioning, the social financing landscape in Indonesia remains at its juvenile. The volume of funds disbursed is low and the types of financial instruments (deal structures) used are still very basic compared to more mature markets such as India and the UK. Regionally, Indonesia remains in the top three (3) of impact investment destinations (intention to come in) along with the Philippines and Vietnam. Indonesia promises that the benefits of the population boom, will bring up to 90 million people into the consumer class by 2030. Today, 90% of its workforce rely on Small Medium Enterprises and 79% of them still find it challenging to access financing²¹. Regulatory challenges and complicated bureaucracy make it difficult for more foreign investors to enter the market and the number of local investors is still too low to finance them.

In terms of supply and demand, Indonesia is facing a typical the missing **middle gap**; where very few social enterprises are investment ready, while very few investors are willing to put capital in the seed or very early stage of a social enterprise. As shown in **figure 3** below, there are more investors considering social enterprises in the growth and mature stage, while seed and venture (early stage) social enterprises require more funding.

FIGURE 3: INVESTMENT VS. SOCIAL ENTERPRISE DISTRIBUTION ACROSS LIFECYCLE²²



To better understand the different the ecosystem, its investments and challenges in Indonesia, this chapter will be divided into four sections: **(1) Social finance activities** in Indonesia (buy-side), **(2) Social enterprises** in Indonesia – to better understand the sale-side of the social finance activity, **(3) Social enterprises enablers** in Indonesia – to see the role of supportive organizations in stimulating investments and, **(4) potential implementation** to tackle some of the key barriers faced by the stakeholders above.

²¹ <http://capria.vc/updates/impact-investing-trends-southeast-asia/>

²² BCG report 2015

Section 1: Social Finance Activities in Indonesia

A) Capital Market in Indonesia

One of the common challenges faced by many Indonesian social entrepreneurs on their path to growth is **finding the right capital**. Since social enterprises operate in a space where traditional grant-making organizations and for profit organizations overlap, founders have theoretically access to a broad spectrum of potential capital providers. Listed below are the types of capital available to social enterprises in Indonesia from small investments raised among friends and family to major equity rounds with multilateral organizations. ANGIN is not limiting itself to alternative finance and impact investment. The diverse sources of funding below are ranked by ticket size:

Friends and family: Friends and family financing is commonly used by Indonesian social entrepreneurs as their first source of capital. It is usually the easiest to obtain as it involves very light documentation (sometimes social entrepreneurs do not even record this investment properly on their balance sheet) and it often takes less than a month to close this funding. From our experience in Indonesia, Friends and Family rounds are usually in the USD 5 to USD 25,000 range, rarely going over USD 30,000. Most of ANGIN invested social enterprises were financed by their friends and family to cover the first months/years of business operations.

Bootstrapping/internal funding: While this is not an external funding source per say, some social entrepreneurs opt to focus on revenue generation and shorter path to break-even to grow their company organically. This decision is usually taken after a long period of unsuccessful fundraising process or based on the desire to avoid dilution - to not have any external parties to report to.

Crowdfunding: This is a growing topic in Indonesia. Crowd or Peer-to-Peer (P2P) platform allows social enterprises to raise capital from a large crowd of retail individual investors with the platform serving as the facilitator of the transaction. The capital raised could be structured as donation, equity or debt. Kitabisa.co.id (a leading crowdfunding platform for social causes) is looking at commercial crowd lending to social entrepreneurs. Through this mechanism, social enterprises would have access to capital below USD 20,000. However, the regulation on Peer-to-peer licensing has yet to be fully clarified by the OJK and thus, it is still considered a grey zone.

Angel Investors: An angel investor is an individual with disposable capital and the intention to mentor and invest in early-stage companies. They can act individually or jointly with other angel investors to form a network or a group, thus mutualizing resources and expertise. The angel investors have the decision power to invest (different from being a Limited Partner with a Venture Capital) and their investment decisions are usually based on a combination of rationality and a sense of passion. An angel investor will invest in business models/industries that they can relate to, an entrepreneur they want to support or a social cause they care to tackle. Typical ticket size in Indonesia would be USD 50,000 but angel investors are flexible by nature and would be able to start funding social enterprises with a ticket size as low as USD 5,000. In Indonesia, ANGIN encounters mainly three (3) categories of angel investors. (See **Appendix IV**). Some angels are gathered into groups (such as ANGIN or Angels of Impact) to mutualize sourcing, due diligence experience and syndications.

Government schemes: While not used by many social entrepreneurs, the government is running several initiatives aiming to finance SMEs (Small and Medium Sized Enterprises) which most social enterprises are including into (see **Appendix V**). An example is LPDB-KUMKM (Revolving Fund Agency for Cooperatives and SMEs), a task force established by the Ministry of Cooperative and SMEs. LPDB supports financing activities for cooperatives and SMEs in the form of loan allocated from the state budget (APBN) with a friendly interest rate²³ from five (5) percent for the real sector, eight (8) percent for savings and loan. The range of funds distributed per organization varies but can be up to IDR 5 million for micro businesses, IDR 50 million for small businesses, and IDR 100 million for medium enterprises and cooperatives. Repayment period is between five (5) to eight (8) years. Since 2008 to date, LPDB has distributed a total of IDR 7.3 trillion to 213,801 SMEs through 3,436 partners consisting of both cooperatives and non-cooperatives. LPDB's programs are subject to ISO 9001:2008 and its distribution procedure is audited and considered transparent. Although LPDB taps cooperatives and SMEs players that are not bankable, it still screens the companies based on their business feasibility. The main requirements for prospective recipients are: (1) The organization must have been running for at least two (2) years, (2) It should have legal entity, and (3) It should have balance sheets that indicate positive profit for the past two years.

Venture Capitalist (VC): A venture capital invests funds in early-stage companies on behalf of the investors. In general, a VC consists of two main components: Limited Partner (LP) and General Partner (GP). LPs are the fund investors in the VC funds. They could be DFI, Private Equity, Family Offices, or private investors. They are not engaged in the day-to-day activity of the fund, nor make the decision to invest, but they monitor the fund performance through the timely reports provided by the GP. Indeed, the investments are managed by the GP as the actual VC fund managers. They are the ones who raise the fund from the LPs and run the fund activity. The GP generally consists of a partner(s), principal(s), associate(s) and an analyst team. While VC firms are not tied to financing social enterprises, and do not have the primary intention of generating impact (double or triple bottom line), some traditional VCs play a significant role in funding early-stage impactful businesses. They take risk in investing smaller ticket size (~USD 50'000 to USD 150'000) in social enterprises with low traction level and business models that still need to be proven. Typical VC investing in impactful businesses in Indonesia are: Change Makers, 500 Startups, East Ventures, IMJ-IP. East Ventures for example is a member of the AVPN (Asian Venture Philanthropy Network) and has demonstrated commitment to support the social enterprise ecosystem (ANGIN has entered partnership with East Ventures to organize social innovation workshop weekends in Jakarta).

Impact Investor: As discussed in the introduction, an impact investor is engaged in investments that are being made into companies, organizations, and funds with the intention to generate social and environmental impact along with a compelling financial return. ANGIN is seeing two types of impact investors: a) Equity focused such as Unitus Impact, Aavishkaar, Omidyar Network and, b) Debt focused with an appetite to do equity investments (e.g. Root Capital, Melloy Rare Fund, Oikoscredit). ANGIN will provide more details in the following sections.

²³ <http://www.sjdih.depkeu.go.id/fulltext/2009/218~PMK.05~2009Per.HTM> , <http://niaskab.go.id/wp-content/uploads/2014/09/Mekanisme-dan-Pengelolaan-Dana-Bergulir.pdf>

Banks: Banks are a financial institution licensed by the Bank Indonesia (the Indonesian central bank) to receive deposits and issue loans. Banks may also provide financial services, such as stock trading, wealth management and currency exchange. There are two types of banks: commercial/retail banks and investment banks. Most of the interviewed banks do not have exposure to social enterprises. They lack understanding of the concept and do not have any special financial products for social enterprises. Only companies with collaterals (fixed assets mainly) are proposed loans. The company would be able to offer collateral to the bank and thus would be able to secure a loan between 10% to 15% p.a. interest rate.

International multilateral organization: ADB, IFC, and the World Economic Forum (Grow Asia) are playing a role in supporting social enterprises at a later stage and inclusive businesses. They are directly investing in social enterprises or are providing capital to existing funds through their funds of funds activities. In November 2016, IFC announced its participation in the Falcon House Partners fund, an Indonesian private equity fund focused on companies carrying out business in consumer-facing products with a commitment to sustainable companies. In March 2013, ABD and SNV conducted a market research to evaluate the potential to set up a fund facility to support inclusive businesses in Indonesia. In 2016, Grow Asia appointed Palladium consulting group to study the implementation of a fund facility targeting innovative social finance in the agriculture sector.

B) Social Finance Instruments Used in Indonesia

Various financial instrument options are available to social entrepreneurs in Indonesia, depending on their type of proceeds, stage of the company, profitability and legal incorporation. Most social entrepreneurs are not savvy with or even aware of the various financing structures available to them. There is a lot of confusion from uneducated investors and entrepreneurs, and this is a generally popular topic that ANGIN and over capacity builders covered in the pitching sessions and workshop. Below are the most common instruments encountered in Indonesia from the lower to highest return expectations.

i) Grant

Traditional donation: It is commonly considered as a gift (as it does not involve a counterpart such as an interest or shares) given by individuals or legal entities to organizations with a social/environmental mission. Most Indonesian social enterprises receive donation through their PT (when the donor can disburse donation to such a legal entity) or through a foundation (seen as the ideal recipient of donation for most donors). Donation in Indonesia is broadly available to social enterprises through social enterprise competitions and awards in a form of cash or in kind (e.g. equipment, hours of services)

Venture Philanthropy: It is an hybrid between traditional grant-making and venture capital's best practices. It finances social enterprises through a donation, but it is treated as a venture capital investment both in terms of selection process, proceeds, reporting, objectives and hands-on support (capacity building) attached to the funding. The grant would fund high risk social enterprises' early operations, typically made together with an impact investment. It is meant to prevent the entrepreneurs from having to source the fund for its costly operational expansion from its balance sheets in a market with various frictions. LGT VP was an example of an impact investor that uses venture philanthropy in Indonesia to develop the ecosystem. Along with a loan investment in Krakakoa, LGT VP extended a grant to fund some of the training provided to supply smallholder farmers. It allowed Krakakoa to save on the training cost and allocate capital to product development and marketing. The grant was treated as an investment and Krakakoa must produce clear reporting and performance metrics.

ii) Debt

Collateralized loan: This is a loan in which the borrower has pledged some of its assets (e.g. land, equipment, buildings) to get the debt line issued. Collateral serves as a guarantee in case of non-repayment of the installments and interest as stated in the loan agreement. This is the most common instrument provided by commercial banks and impact investors. Early-stage social enterprises usually obtain a loan at 10-15% p.a.

Non-collateralized loan: This is the riskiest type of loan for the lender as it is not guaranteed by any assets, leaving the borrower's signature and law enforcement options as the only securities for loan repayment. This type of loan typically has higher interest rates than collateralized loan in consideration of the risk (above 15% p.a.).

Trade financing: It is a short-term loan financing trade or export transaction. In a broad definition, trade financing includes lending facilities, letter of credit issuance, export factoring, forfaiting and export credits. It usually involves a triangulation between the buyer, seller and the investor. For instance, Root Capital is lending a three-(3)-month facility to a coffee exporter at 11 to 12% p.a. interest rate.

Revenue share loan: While a traditional loan involves a negotiated fixed coupon interest rate as well as fixed installment periods and maturity, a revenue-based financing is proportioned to the performance of the company. The interest is a variable of the company's future metric (revenue, profit or even net cash flow). It is still technically a loan, but there are no fixed payments, no set time for repayment, and no set interest rate. The investor and the company share both the upside and the downside embedded in the transaction. This is typically the type of financing considered by impact investors when equity investment is not feasible and the expected upside justifies a revenue share. Sharia-banking imposes this type of risk-shared scheme.

Account receivable/invoice financing: It is a means to finance the time that a company needs to collect payments from customers and the time required to pay its suppliers. Typically, modern retailers (such as Ranch Market or Kem-Chicks) will pay within 60 days while a social enterprise must pay its supplying smallholder farmers upfront at delivery of the supply (could even be ahead of the harvest). It is a short-term debt financing that takes accounts receivables (invoices) as collateral. This type of financing is gaining popularity among the Indonesian technology peer-to-peer lending platforms. Online financial technology platforms such as Investree, Modalku, Kredivest are offering account receivable financing to SMEs.

iii) Equity/Quasi Equity

Convertible note (CN): A convertible note is a form of debt that can be converted into equity at a discount (~5-20% in Indonesia) and the conversion is typically triggered by a future financing rounds (called a qualified financing). In Indonesia, most of the investments by VC firm in the technology industry and foreign based investors are executed in the form of a CN for two main reasons: 1) It is too early for the company to be valued so a CN is used to by-pass/postpone the valuation process, 2) the investor is foreign based and will not be able to directly inject equity into the company. A CN allows the investor to carry out investment while avoiding the PMA structure (which is usually impossible for ticket size below USD 500,000).

Equity: An equity investment is a means of financing that takes shares/ownership in exchange of the capital invested. The number of shares taken will be based on a valuation agreed upon with the entrepreneur. The equity rounds are usually labelled from pre-seed to Series A/B/C, depending on the stage of the company's ticket size and the use of proceeds. A typical seed equity investment in Indonesia will finance the early go-to-market expansion of a company and will amount between USD 50,000 and USD 500'000 for 10-30% ownership of the company. This is the tool usually used by VC, Impact Investors and Angel Investors as it provides the potential financial gain to balance the risk of the investment.

C) Mapping The Social Finance Landscape in Indonesia

Having been underestimated as a potential economic force among its more well-known Asian peers in the past, Indonesia is pointed by the interviewed investors as one of the strongest potential markets for social finance. This is driven by perceived size of the demography, increasing internet/mobile penetration and agrarian/maritime potential, among other factors. Impact investors remain confident in the Indonesian economic fundamentals and ANGIN is seeing more players willing to engage resources in the country. This conclusion is based on our interview with over twenty (20) impact investors, venture capitalists, banks and intermediaries (the full list is available in the **Appendix VI**) and ANGIN work as an impact investor over the last three (3) years.

In this section, ANGIN is focusing on impact investors that comprise those investment firms that:

- Make direct investments in companies,
- Have the intention to generate positive social or environmental impacts,
- Expect a financial return,
- Invest using any instrument, including debt, equity, convertible, guarantees, or any other instrument.

The criteria applied in this report deliberately exclude certain investments such as investments into microenterprises as well as direct investments made by Development Finance Institutions (DFIs) and microfinance institutions.

Here are some of the conclusions ANGIN draw from its research.

i) Impact Investor Presence

Stable number of currently active impact investors in 2016: Overall, between 2014 and 2016, the number of identified active impact investors in the country has not increased significantly and remains at an estimated number of 30 investors. Some investors (both active in the country and new), have started to invest and several stopped operations in Indonesia. Currently, the total AUM is difficult to assess as organizations rarely report their entire AUM. ANGIN estimate that USD 20 million of impact investment capital has been invested over the last two (2) years. See **Appendix VI**, for the list of impact investors identified.

New players looking to invest in Indonesia from 2017: ANGIN identified 25 new impact investors looking for prospects in Indonesia (e.g. Phi Trust, Oikoscredit, Melloy Fund by RARE). Some of them are actively looking to hire a full time of human resources in Indonesia (such as an investment manager or country head); while others are currently in due diligence on several deals meaning that they will become active in 2017.

Several impact investors left Indonesia: Between 2014 and 2016, ANGIN acknowledges that at least four (4) investors left the country (withdrew the local staff and ceased investment), namely LGT VP, Grass Root Business Funds, Fauna and Flora and Grameen Foundation. The most common reasons were: lack of investable pipeline fitting their investment mandate, geographical focus on other regions, lack of capital to continue investing and internal governance issues.

Silent but dynamic activity of the trade finance impact investors: Several impact investors are active in funding the trade financing needs of social enterprises. As an example, Root Capital claimed to have disbursed several million dollars in over a portfolio of seven (7) companies (mostly coffee businesses/cooperatives). Similarly, ResponsAbility has worked with several organizations such as Big Tree Farms. Except for direct investments in equity, these investments do not get any exposure and are not published by either the companies or the investors. ANGIN anticipates for several agriculture-related businesses in their growth stage to export.

Minimum availability of domestic champion investors: From our research and experience, Indonesia is still lacking domestic capital providers. Most of the capital providers identified have their investment arm (the actual fund) abroad. Only Unitus Impact seems to have a small pool of capital incorporated in Indonesia aside from their largest fund based overseas. ANGIN (Angel Investment Network Indonesia) YCAB Ventures and Kinara are among the only investment structures operating with funds from Indonesia.

ii) Deal Transactions

Few transactions validating the social finance excitement: While the Indonesian social finance scene has grown in terms of exposure and media attention, enhanced by some international events (e.g. Sankalp event in November 2016), we are yet to see a clear proof of concept that more funding is being deployed. In 2014 and 2015, impact investors in Indonesia made around 15 new investments although the total amount is difficult to measure (rough estimate would be around USD 20 million). This is below the regular technology VC space which brought USD 861 million of investment in more than 60 companies in 2015²⁴, led by Ecommerce and Consumer Internet companies.

Average ticket size: ANGIN estimates that 60% of the transactions (in number) were done in the USD 100,000 to 500,000 range, 35% in the USD 1 million-2 million range and 5% beyond USD 2 million.

Equity and trade financing as the commonly used financial instrument: From our research, equity represents 30% of the transactions, followed by quasi equity at 30%, debt at 30%, and other types of investments at 10%.

iii) Common Barriers

Legal environment as a barrier to invest and low understanding on how to invest in Indonesia: From our interview with impact investors (mostly foreign based), very few managers have a full understanding of the legal framework to disburse capital in Indonesia, from issuing a loan to injecting equity. Their market prospecting time has been focused on building a pipeline of companies and the legal side has been postponed to later stages when the actual transaction occurs (learning by doing). The lack of comprehensive platform and access to reliable legal/notary services were among the issues pointed out.

²⁴ ANGIN research, available on demand

Lack of quality pipeline of investable companies: 80% of the impact investors interviewed acknowledge the lack of quality pipeline. Some of the common gaps mentioned: 1) quality of the solution/less innovation in the business model vs. other regions (80%), 2) low potential for scalability (70%), 3) low level of tractions validating the model (60%), 4) low IRR/exit expectation (40%), and 5) lack of documentation readiness (e.g. financials, contracts) (35%).

Social enterprises lack financial education: Some social entrepreneurs with minimum business background face challenges in book-keeping and financial projections, which are critical for fundraising. This is for companies that provide debt instruments to social entrepreneurs. Debt requires clear four-to-five-year projections on the three (3) fundamental financial documents: Profit and Loss, Balance Sheet and Cash Flow. Most of the social entrepreneurs are not able to comply with this exercise and impact investors do not have the internal resources to support the pipeline in doing so.

D) Zooming in on Several Investors

From our observation, ANGIN sees that there are four (4) kinds of impact investors operation implementation in Indonesia:

- a) Fully foreign based who are operating remotely from overseas,
- b) Foreign based with a local partner or team,
- c) Purely domestic based; and
- d) Foreign based but pulling out of operations from Indonesia.

Here are some concrete examples.

- a) **Mercy Corps Social Ventures (MC) (Fully foreign based and operating remotely):** Mercy Corps' Social Venture Fund is an early-stage impact investors supporting ventures in geographies and industries where the holding entity, Mercy Corps (international NGO), can provide expertise and support. MC targets investment ticket size of up to USD 100,000 and is quite concessionary on the return (~10%) compared to other impact investors. MC has made two (2) investments in Indonesia: Vasham (an agriculture market bundle for smallholder farmers) and Wobe (a smartphone application that allows people to act as a distributor of digital goods and e-commerce, usually called Online-to-Offline).
- b) **Aavishkaar Pioneer fund (Foreign based with one (1) local staff):** Aavishkaar is an early-stage Indian impact investor and intermediary founded in 2001. They manage over USD 155 million assets over four (4) funds focused on India. In 2015, Aavishkaar raised a USD 45-million fund (named Frontier Fund) led by En Venkat, the first fund to be invested outside India. Priority countries are Sri Lanka, Bangladesh and Indonesia. The fund targets investment ticket size of USD 500,000 to USD 4 million and aims for a return of 15-25%. The fund has made only one (1) investment in Indonesia since 2015 in PT Bali Sea Food, a seafood sourcing and processing company operating in Eastern Indonesia.

ANGIN (Angel Investment Network Indonesia) (purely domestic based): ANGIN is a membership-based network of Indonesian high net-worth individuals (Angel Investors) led by a full-time team that provides services to these angel investors to invest and mentor early-stage companies in Indonesia (technology and social enterprises). ANGIN acts as a bridge between investors and companies in need for support. It prepares both investors and companies along the fundraising journey by providing sourcing, due diligence support and legal implementation to investors, while preparing and bringing companies to the right investment readiness. Since its inception in 2013, ANGIN investors and ANGIN Woman Fund have invested in 21 companies, 10 of which are social enterprises. The average ticket size into these social enterprises is USD 75,000.

- c) **LGT VP/IV (Foreign based but pulling out resources from Indonesia):** LGT VP is an impact investor backed by the royal family of Liechtenstein. It pioneered impact investment in Indonesia when it started its pipeline prospecting in 2012 led by Joan Yao who was based in the Philippines. In 2012, LGT VP piloted an accelerator program aiming to take selected social enterprises to the next stage of growth where LGT VP would be able to invest over USD 500,000. The accelerator was an intense mentoring program led by a dedicated professional and accompanied by an investment of USD 50k. At the end of 2015, LGT VP began to transform its investment philosophy and refocused its mandate on impact investment, targeting investment opportunities that yield market-rate return while maintaining its intention to create an impact on the less advantaged population. A new entity was created (LGT IV) to gather the impact investment activities, while LGT VP remains to encompass the venture philanthropy endeavor. LGT VP pulled out human resources from Indonesia in mid-2016. LGT VP has invested in one (1) company, Krakakoa, in Indonesia.

Section 2: Social Enterprises in Indonesia

Data was collected in a month period (November 15th, 2016 to December 12th, 2016) via phone calls and through face-to-face and phone interviews. ANGIN focused its analysis on social enterprises in the process of raising funds, that raised funds or that failed in their fundraising efforts.

A) The Portrait of Indonesian Social Enterprises

i) The Quality of Social Enterprises

From our three (3) year experience in screening social enterprises, ANGIN is qualifying Indonesian social enterprises into three (3) categories:

Un-fundable: These are mostly NGOs in transition to social enterprises or small businesses with impact that are not investment ready and lacking in several qualities, with characteristics such as weak management, non-compelling market fit, low implementation level and lack of potential for scale. While ANGIN does recognize a certain level of social impact generated by the entrepreneurs, these companies will hardly be attractive for investment by angel investors' or impact investors' standards, primarily due to low potential for scale. They could remain a lifestyle business with a local impact. Even when supported with capacity building, these companies will not be able to pass the threshold of investment readiness/attractiveness. ANGIN estimates that 70% of the companies encountered are at this stage²⁵.

²⁵ Based on research conducted at ANGIN

Potential to be funded but would need additional support: These are social enterprises that are not investment ready, but have recognizable strong qualities and the potential to be investable with the right guidance. These companies are usually led by strong founders and have developed promising tractions. They are the perfect fit for enablers or impact investors that are willing to engage with them. ANGIN estimates that 20% of the companies encountered are at this stage.

Investment ready: These are social enterprises that are ready to receive funding. They sometimes struggle to get through the process due to lack of documentation and time to be dedicated to the fundraising process, but the fundamentals are there. These companies will most likely receive funding. ANGIN estimates that 10% of the companies are at this stage.

ii) Sector Domination

These sectors represent the areas of opportunity for impact (SDG relative) and social finance's proof of concept. Most of the social enterprises ANGIN encountered in 2016 are mainly active in five (5) sectors:

Agriculture (55% of the opportunity): Indonesian agriculture is supporting the livelihood of millions of Indonesians but is currently at a crossroads. Approximately 17 million Indonesian smallholder farmers and community-based food processors are materially and financially unable to access the economic opportunities offered by the growing international and domestic demands. Farmers usually suffer from a long and fragmented agricultural value chain, are geographically isolated and lack access to financial resources, basic equipment and stable markets. Several social enterprises see the opportunity for disruption in the sector: from yield enhancement programs, farm to fork models, food processors or more advanced agricultural technologies.

Financial services (fintech) (20% of the opportunity): With a population of around 255 million and the low cost of smartphones, Indonesia has the third largest smartphone market in SEA. Since 50% of the population is unbanked and 85% of the country's transactions are still cash-based, fintech could be a tool for financial inclusion. Through crowd-lending for SMEs, payment gateway for cooperatives, or Online-to-Offline smartphone business solution, fintech social enterprises are starting to be developed. Uangteman, Tunaiku, Crowde, VOX, Wobe, Igrow, and Kitabisa are some of the social enterprises that have gained the attention of impact investors.

Healthcare (10% of the opportunity): While some progress has been made in providing universal healthcare (BPJS), the healthcare sector is still facing several issues and this is a great opportunity to disrupt. Access to medical care in rural areas remains an issue with uneven distribution of medical staff (i.e. 6 doctors per 100,000 people and 0.66 beds available in hospitals per 1,000 citizens, compared to 3.3 beds per 1,000 people in the UK and 13.7 in Japan). Meanwhile, the quality of medical services is also criticized as poor compared to its neighbors, and horror stories surrounding them are widespread. Medico, Konsula, Halodoc, Akidokter, Meetdoctor, Sehati and Prosehat are some of the recent companies that raised funding from VC and Angel Investors and are highly considered by certain investors ANGIN interviewed. On another note, Mclinica (based in the Philippines but with strong operations in Indonesia) has raised funding from Unitus Impact and Global Innovation Fund. Some of its potential models include: Medical devices, telemedicine, healthcare IT, consumer healthcare and mobile health.

Education (10%): With only a third of Indonesian students completing basic schooling and the low competence of the country's teachers (in addition to high absenteeism hovering at around 20 percent), the education sector is a great potential for social finance involvement. ANGIN is seeing different models of enterprises with potential for impact, such as: e-learning platform (Squline), ERP system to improve communication between parents/teachers/students (Gredu), SMS based communication tool to educate farmers on best agricultural practices (8 Villages) and vocational schools training support (Temploy, Temoo).

Fishery/aquaculture (5%): Set as a priority by the government, ANGIN is witnessing more business models and interests from investors to look at the maritime-related industries. Some examples are eFishery and Ocean Fresh. Some investors, such as Rare Melloy Fund, are fully focused on fishery impact investment.

Growing number of technology-based social enterprises: Compared to 2014 (from data used in the BCG report), ANGIN is seeing more social enterprises that are involved in technology or are fully technology based. Qlapa, Igrow, Landmapp, Efishery, 8 Villages and even Vasham (through CI Agriculture) are social enterprises that leverage on technology to bring services to the last mile, operate at scale or improve data understanding to serve the SDGs.

iii) Maturity of the Social Enterprises

Generally young social enterprise: 80% of the social enterprises are five (5) years old or younger as most of them were founded following the emergence of the startup trend in 2012.

Trap in the seed stage (product-market-fit): Around 70% of the social enterprises in Indonesia are in pre-seed and seed stage. On average, they would require funding from USD 10,000 up to approximately USD 100,000. Most of these enterprises are still trying to validate their business model and fine-tuning the right product market fit, and have yet to plan for expansion that will require a larger amount of capital.

Corporate role in building early-stage social enterprises: Several social enterprises that successfully raised capital have grown with the support of larger corporations. Vasham would be a good example but we can also name iGrow or PT Bali Sea Food. The role of corporations had been key in providing early funding, key operational expertise and the human resources to early-stage ventures.

iv) Gender

Female entrepreneurs: ANGIN estimates that 25% of the social enterprises encountered are led by female entrepreneurs. Examples of social enterprises led by female entrepreneurs are: Krakakoa, Burgreens, Javara, VOX, Nazava, Kopernik, Temoo, and Sehati. As an example, 50% of ANGIN portfolio companies (10 companies out of 21) supported by its network are female-led.

B) The Portrait of Funded Indonesian Social Entrepreneurs (Founder's Side)

Based on our observation, ANGIN generally encounters three (3) types of successful social enterprises that have received funding in Indonesia:

Returnees led. They are Indonesian entrepreneurs who were educated and learned different business models/best practices abroad and decided to bring home the learning curve and set up their own venture in observance of the social issues at home. Most of them have a certain form of safety net such as support from family or past professional career that provides them with a degree of financial security. These groups attract investors not only due to their strong education pedigrees, but also their family or professional associations. Examples of this group are (1) Du'Anyam – empowering expecting mothers through wicker weaving, whose co-founders are graduates of Harvard, Melbourne University and Asia Pacific University, (2) Vasham –providing market and financial access to farmers, whose founder attained a degree from the University of Southern California and is affiliated with Japfa Comfeed family group, (3) Javara – organic and direct sourcing food company, whose founder is a graduate of King's College London, and (4) Krakakoa – bean to bar chocolate manufacturing company, whose co-founder graduated from Cornell University and previously worked at McKinsey and Co. Below is the case study of Vasham to provide an illustration:

Vasham (Jakarta)

Problems addressed: Most smallholder corn farmers do not have access to a bank loan, so they borrow from traders, who charge extremely high interest rates and put a very low price on the harvest

Solutions: Vasham provides end-to-end service (from financing, expertise, to income security) to help farmers break out of the poverty cycle. Vasham has partnered up with Japfa Comfeed, one of the leading feed companies in Indonesia, to purchase at an above-market price

Investment: Grant from DBS Foundation, Series A from Unitus Impact and Mercy Corps Ventures

Impact/SDG targeted: Increasing income for partnering farmers, farmers' satisfaction to be member, in line with SDG's 1st goal (i.e. No Poverty). To date, Vasham has helped 3,465 farmers

Key points: Irvan has a solid overseas education in business and a family business background in the agricultural sector. He is supported by Directors/C-levels with equal expertise and passion from management consulting firms and large agricultural enterprises

Foreign owned. These are social enterprises founded by foreign citizens, most of them have a development background such as working with the Peace Corps, UN Agencies, aid agencies or fair trade companies. Their decision to live in Indonesia is driven by the social mission that they believe in and their willingness to create change in the community. They usually use community empowerment as an angle in setting up their businesses. Being an expatriate with previous work in the development space provides them with the right connection to foreign investors, the media and other networks of support from other countries that may be inaccessible by Indonesians. Examples of this group are (1) East Bali Cashew, founded by Aaron Fishman, a US citizen formerly enrolled in Peace Corps for a mission in Botswana who now lives in Bali to run the cashew factory²⁶; (2) Big Tree Farm, founded by Ben Ripple and his wife who decided to come to Indonesia to coach smallholder farmers on organic farming, joined by Frederick Shilling, co-founder of Dagoba Organic Chocolate based in the US that was sold to Hershey Company²⁷; (3) Nazava, a water filter manufacturing company, was founded by Lieselotte Jantine Heederik who previously worked with the German Aid Agency (GIZ) and Hivos, and (4) Kopernik, a last mile distribution network, was founded by husband and wife Ewa and Toshi Nakamura who formerly worked with the UN. Below is the case study of East Bali Cashew to provide an illustration:

²⁶ <http://eastbalicashews.com/company/>

²⁷ <http://bigtreefarms.com/pages/people>

East Bali Cashew (Bali)

Problems addressed: Low income for villagers (~USD 2/day), most of them are cashew farmers with no basic techniques to increase yield and improve process

Solutions: Set up the first large-scale cashew processing facility based in the eastern part of Bali, Indonesia. Aids increase yields and employ mostly women

Investment: Grant from KKR, USD X m funding from Honk Kong family

Impact/SDG targeted: Number of farmers enrolled, number of hectares, percentage of incremental income generated for farmers p.a. Aligned with SDG's 1st and 5th goal. EBC is now employing 300 staffs of mostly women who have never had a paying job before

Key points: Founder and team achieved success in a short period, with an increase in revenue from USD 100K in 2012 to USD 700k in 2014. Vertical integration systems: EBC helps farmers in increasing their product value. EBC partners with Red River Food (RRF), US-based cashew and nuts importers, whose extensive regional network is helpful for its distribution channel

Hyper local. These are social enterprises led by Indonesians who were educated in Indonesia, observed social issues in their own community, and build mostly local solution. They may have challenges at first in building their credentials with foreign investors and thus, most of the investment come from local investors. Examples of this group are (1) Limakilo, an app to allow direct sourcing to buy fresh products, is led by graduates of Institut Teknologi Bandung (ITB) and Universitas Prasetya Mulya, with a background in software development; (2) Igrow, an agricultural crowdfunding platform, was co-founded by Andreas Senjaya, a graduate of Universitas Indonesia who set up his own software development house and chose to develop Igrow, which was successfully raised from 500 startups; (3) Wangsa Jelita was co-founded by Nadya Saib who graduated from Institut Teknologi Bandung (ITB) and initially built the beauty product manufacturing company to help rose farmers in West Java and (4) Eragano, an app to help farmers get better access to input and market, is led by Stephanie, a graduate of Institut Teknologi Bandung (ITB) with banking and consulting experiences who received funding from a local VC.

Limakilo (Jakarta)

Problems addressed: Limited access to the market for farmers and difficulty in obtaining the market price due to middlemen

Solutions: Mobile application to let buyers buy directly from the farmers

Investment: Seed funding from East Ventures

Impact/SDG targeted: Number of farmers participating, increase in farmers' income; aligned with SDG's 1st, 8th, and 12th goals (i.e. No Poverty, Decent Work and Economic growth, Responsible Consumption and Production)

Key points: Strong founders' commitment, consistently winning across Hackaton and startup competitions

Traction: Partners with 15 shallot farmers in Brebes. Currently offers delivery to Jakarta, Depok, Tangerang, and Bekasi. Limakilo is now aiming to expand commodities to chili

C) Pipeline of Potential Companies

ANGIN has identified over 300 social enterprises and ANGIN selected twenty-three (23) social enterprises to showcase in this report. These are the companies that ANGIN encountered prior to and during its research work. ANGIN has met individually these social enterprises and would consider them for further discussions in the context of ANGIN angel investing activities. These companies share the following attributes:

- Significant problem addressed (targeting SDG);
- Current or potential for social or environmental impact (addressing SDG);
- Interesting solution design (product or service) in terms of market-fit;
- A monetization plan;
- Quality team (in execution, strategic thinking and leadership);
- Traction and execution developed; and
- Readiness to engage in an investment discussion.

Please see **Appendix VIII** to have the full list of companies.

Section 3: Social Enterprise Enablers in Indonesia

In a relatively nascent ecosystem, social enterprise enablers have aimed to fill the funding and support gaps between investors and social enterprises in Indonesia. The enablers target early-stage companies, typically in their first to third year of operation. They provide different sources of support such as business canvas preparation, monthly mentoring, pitch deck presentation or access to network. Enablers are aiming to address the “pioneer gap”, which was popularized by Village Capital and which refers to the frictions borne by companies pioneering new implementation and business models targeting social/environmental impact. This gap usually occurs before the companies are ready to be qualified for impact investors (transitioning to the growth stage). This report presents the quantitative and qualitative assessments of the social enterprise focused enablers in Indonesia. It is mainly based on our face time experience with them as their mentors, at the inception of some of them and even investors in some of the supported social enterprises. ANGIN sees different types of active enablers in Indonesia and ANGIN also provides a brief definition and description (see **Appendix X and XI**).

A) Growth of the Enablers

Social enterprise enablers have been around for several years in Indonesia with Ashoka being the first one to enter in 1983, before the concept of social entrepreneurship was even popularized. Ashoka is a network of global social entrepreneurs that provides financial, professional and network support to social enterprises. Since 1983, Ashoka has run three (3) programs in Indonesia: Ashoka Venture and Fellowship, Young Changemakers, and Changemakers. In its 33 years of activities in Indonesia, Ashoka has selected 180 social entrepreneurs such as Ashoka Fellows — social enterprises that aim to provide innovative solutions to social problems and potential impact to the society. An Ashoka Fellow is entitled to a certain amount of remuneration for living costs so that they can focus solely on creating impact and access to networks as well as mentorship²⁸.

²⁸ <http://indonesia.ashoka.org>

The growth in technology startups and venture capital since 2012 has coincided with the emergence of more enablers supporting the social enterprise ecosystem. In 2012, LGT VP entered Indonesia in partnership with GEPI to launch its Smiling World Accelerator Program (SWAP) dedicated to early-stage social enterprises. This accelerator program was also launched in parallel in three (3) other countries: Philippines, Thailand, and Vietnam. This Accelerator Program was aimed to help early-stage enterprises develop and scale up by providing financial, network and mentorship support. At the time, LGT VP provided up to USD 50,000 funding in grants, loans, convertible debt, or equity, as well as a 12-24-month mentorship support from a dedicated mentor. The mentors were professionals in career transition with typically 5-10 years of business experience²⁹ in the private sector. LGT VP made its first investment in Indonesia to Krakakoa (formerly Kakoa) in 2015. The investment was in the form of a 3-year loan, used to finance processing equipment that would help improve workflow. Krakakoa also received support in the form of network and mentorship from LGT VP's ICats Accelerator and Investment Manager for Indonesia³⁰.

In 2014, UnLtd Indonesia, led by Romy Cahyadi, launched another accelerator program dedicated to social enterprises. Supported by the Rockefeller Foundation, UnLtd is now operating its third cohort of incubation. One of the last initiatives in 2016 is the Kinara impact accelerator that has selected ten (10) companies working in the field of food security and agriculture for a three-month curriculum program bringing them to a better investment readiness. The program borrows the peer-selection scheme developed by Village Capital, a non-profit US organization that finds and trains entrepreneurs.

From our research, ANGIN identified that 62 enablers have been running programs in Indonesia throughout 2016. Non-monetary type of support increased by more than 300% compared to 2015. The year 2016 has brought in more varying schemes of enablers, compared to the early 2010s where social enterprise enablers consisted only of workshop and support groups. The diversity and examples of social enterprise enablers in 2016 can be seen in **Appendix X**.

B) Case Example of Enablers

UnLtd Indonesia (accelerator) - www.UnLtd-indonesia.org
<p>UnLtd is a group of social enterprise focused accelerators in the UK, Thailand and Indonesia</p> <p>Vintage: 2014</p> <p>Program: Series of classes and monthly mentoring session for social entrepreneurs in pre-revenue to scale-up stage</p> <p>Number of enterprises Impacted: 45 (3 cohorts)</p> <p>Sample of social enterprises Impacted: Du'anyam, Agrisocio, Krakakoa, Mycotech</p>
Endeavor Indonesia (accelerator/mentoring) - www.endeavorindonesia.org
<p>Endeavor is a US based non-profit organization with chapters around the world of which mission is to select, mentor and accelerate high-impact entrepreneurs who positively contribute to the GDP, give back to their communities and create jobs.</p> <p>Vintage: 2014 (in Indonesia)</p> <p>Program: Monthly mentoring session from industry veterans and access to international network. Exposure to several sessions</p>

²⁹ Lessons from the Field: The LGT VP Accelerator Program

³⁰ <http://www.lgtvp.com/NewsCollection/News/2015/Krakakoa---First-portfolio-organization-in-Indonesia.aspx>

Number of enterprises Impacted: 29

Sample of social enterprises Impacted: East Bali Cashews, Javara

Yayasan Inovasi Teknologi Indonesia (INOTEK) (Incubator) - www.inotek.org

Inotek supports the development of innovative start-ups in applied technology that aim to serve bottom-of-the-pyramid markets

Vintage: 2008

Programs: Grant funding, mentorship and in-house incubation for technology based businesses.

Enterprises Impacted: 30

Sample of social enterprises Impacted: Arame, Astoetik

C) Key Findings from Discussions and Surveys

Quality of certain enablers have improved: UnLtd is a good example of quality improvement in both the selection process and the curriculum. The quality of the first cohort in 2014 was not at the level expected by impact investors. Few companies were investable even by angel investors' or impact investors' standards. The last cohort (in 2016) shows a clear sign of improvement. As a reference, ANGIN's Angel Investors financed one (1) company from the last batch and are in due diligence with three (3) additional UnLtd's acceleratees. There is a strong learning curve with which domestic enablers are integrating.

Enablers could be a distraction for social entrepreneurs: The growing number of enablers has made grant money from competitions and awards widely available to social enterprises. A couple of companies encountered still rely on these donations to cover their early-stage activities, while this should be done from market-based streams of revenue. Several companies are spending a significant amount of time applying to capacity building programs without assessing whether the programs are relevant to their needs and business.

Lack of sector specific focus enablers: Most of the enablers that are dedicated to social enterprises are sector/industry agnostic and do not customize their capacity building curriculum to the industry in which the social enterprises are operating in. In most programs, the only segmentation is done based on the stage of the companies and the maturity of the operations. Enablers lack the specialization and expertise in their domains. On the technology side, some enablers have managed to propose laser focused on verticals (UOB and financial technology, Plug and Play and IoT).

Lack of mentors with the right expertise: Most of the enablers are limited in terms of access to a pool of industry veterans and experts. Most of the human resources used to nurture the social enterprises come from the NGO space (low experience in running businesses) or are of generalist profiles. The mentors operate on a pro bono basis, which also limits the time involvement. Throughout its research, ANGIN has not encountered any enablers that can leverage a strong pool of mentors yet (like it would be the case in the US with models like Y Combinator). Endeavor Indonesia is the program dedicated to high-impact entrepreneurs with the strongest pool of mentors available now.

Limited connections to social finance: Most of the enablers are not integrated with an investment arm and still rely on pitching session and investor forum to bridge incubates/acceleratees with social financiers. Most of the enablers involve the investors too late in their programs.

Lack of Impact Metrics: Most of the enablers measure the operational (e.g. number of teams, outlets) and financial performance (e.g. GMV, Revenue, EBIT, Net Profit) of their incubatees, but none of them collects social performance data beyond the information provided by the companies. There is no third-party assessment as such resource is not available in Indonesia.

Lack of KPI success indicators and difficulty to measure the added value of the enablers: Most of the enablers interviewed do not understand clearly the end game of their capacity building. There is no research available to help understand the impact of the accelerators by, for example, matching a comparable group of social enterprises that do not participate in capacity building programs and those graduating from the programs: do we see an acceleration in reaching key operational and impact milestones, do they raise venture capital/angel investment or impact investor funding faster and do they provide faster exit by acquisition.

Social enterprise enablers in Indonesia have gained popularity and grown in numbers, but the quality and content relevancy of the enablers to the social enterprises is to be challenged. Even with a growing number of enablers, Indonesia still proves to be far from being able to provide social enterprises with the necessary means for development (e.g. advice, access to mentorship, coaching and network). From a study conducted by UnLtd, Indonesia ranks 23rd out of 45 countries in terms of gaining non-monetary support. Moreover, 80% of social enterprise socializing efforts are still concentrated in the Java Islands (mostly Jakarta), leaving a lot of areas untouched. There is still space for social enterprises and its enablers to grow in Indonesia. If properly socialized and managed, Indonesia - not just Jakarta - will see the emergence of more successful social enterprise cases in the future.

Section 4: Recommendations for Action

Our research has allowed ANGIN to understand better the needs and barriers of several players involved in the social entrepreneurship ecosystem. Based on our conclusions, ANGIN is listing below some implementations that UNDP and other partners could pursue to improve the social finance movement in Indonesia. ANGIN considers that **blended finance**, as initiatives combining public and private capital to finance social enterprises, achieve SDGs, increase the effects of international development agency funding, is an opportunity for Indonesia. Different tools are available to implement blended finance approaches and ANGIN is mostly exploring **Supporting Mechanisms** and **Direct Funding Schemes**.

Life Cycle	Pre-seed	Seed	Seed/growth	Growth
Objective	Preparing	Pioneering	Facilitating	Anchoring
Issues	High upfront costs to start social enterprise; high risk that a project will not be launched	High business model risk; high transaction costs	Sectorial or project risks; returns below commercial rates	Macro or sectorial risks; liquidity, refinancing and inefficient markets
Supporting Mechanisms	<ul style="list-style-type: none"> Replication model (Sharing local and global market knowledge and 	<ul style="list-style-type: none"> Corporation involvement (incubation grant) Domestic Impact 	<ul style="list-style-type: none"> Domestic Impact Evaluation entity (building local capacity) Financial literacy 	<ul style="list-style-type: none"> Risk underwriting with hedging facilities (Forex risk) Advocacy/training

	experience	Evaluation entity (building local capacity)	training for social enterprises (building local capacity)	for local banks (building local capacity)
Direct Funding	<ul style="list-style-type: none"> First Loss Pioneer fund 			

i) Supporting Mechanisms

Supporting Mechanism/Direct Funding: Replication model

Issue targeted: Lack of compelling capacity building programs in Indonesia. Social entrepreneurs and enablers spend significant time and capital to develop and establish new business models that capture value and impact, with lower chance of success due to the lack of relevant capacity building support

How/what: Replicating and building a social enterprise model (company builder) –The replicator would borrow the model developed by Rocket Internet, a German base company who had made its reputation in building ventures in emerging economies. Rocket Internet creates value by repeating success factors. The replicator's business-model is to copy proven social venture business-models and execute these models effectively in Indonesia. The replicator will capture the learning curve by partnering with the successful social enterprises across the region or worldwide and will recruit similar-minded entrepreneurs and talents including engineering, marketing, HR, finance, business intelligence and legal to execute the venture development. The funding will be injected by different parties (corporates, impact investors, angel investors, public funding) and the incubation will be done by a local company builder/investor

Supporting Mechanism/Direct Funding: Corporation involvement (incubation grant)

Issue targeted: Lack of compelling capacity building programs in Indonesia. Social entrepreneurs and enablers spend significant time and capital to develop and establish new business models that capture value and impact, with lower chance of success due to the lack of relevant capacity building support

How/what: Large corporations/conglomerates have the scale and large assets already exist in certain industries, such as the Sinarmas or Tanoto group in palm oil and agriculture. Sinarmas' CSR program alone can reach 500+ villages in Sumatra and Kalimantan, so their potential coverage is tremendous³¹. Their experience along the value chain is strong as they usually strongly understand the operational, local context and macro market challenges/opportunities. This scale and learning curve could be harvested and used for social enterprises. Social enterprises can benefit from the sector specific experience, scale and upfront asset investments by working together with corporations. For example, Vasham benefited from working and growing together with Japfa Group, leveraging on Japfa's network of farmers, facilities and experience of learning in the field. Corporations are matched with the relevant existing social enterprises. Both parties align the objectives and the mission of the social enterprises and how they can leverage the corporation's assets. UNDP can provide incubator grant to initiate the relationship. The social enterprise may grow organically in partnership with the corporation or both can set up a joint venture. Another alternative is where the corporation may eventually choose to acquire the social enterprise. Corporations together with the UNDP can work together to identify

³¹ <http://en.tempo.co/read/news/2016/07/18/056788356/Sinarmas-Helps-Riau-Palm-Oil-Farmers-to-Shift-to-Horticulture>

problems in their value chain (in the industry) that could be addressed with a social enterprise model. A team and resources would be found to build a social enterprise that focuses on solving the identified problem

Supporting Mechanism/Technical Assistance: Domestic Impact Evaluation entity

Issue targeted: Low impact measurement done by impact investors, social enterprises and enablers due the high cost to implement such evaluation work. Indonesia is lacking local and trained staff to produce thorough impact assessments, which means that most impact evaluation work would be conducted by overseas resources

What/how: Piloting the design and implementation of a domestic impact evaluation entity that can provide services to local social enterprises and overseas players who require such impact assessments. The Acumen's lean methodology could be one option to pilot. It will involve having the Acumen's team to come to Indonesia (from India) and train local Indonesian staffs who could highly leverage on performing local participants (like hand-picked students) to do the impact evaluation assessment (on the model of the BCG giving back program)

Supporting Mechanism/Risk Underwriting: Hedging facilities (Forex risk)

Issue targeted: Currency risk and cost of hedging blocks for debt investors refrain affordable (even market rate) loan tenure to social enterprises. Loan denominated in USD transfers the currency risk on the social enterprise. Less impact investors are offering more Indonesian rupiah denominated loans

What/how: The cost of hedging the Indonesian rupiah is an issue for several impact investors lending from overseas in Indonesia. A few impact investors mentioned a cost of 7.0 to 9.0 % p.a. to hedge the principal amount. This can be addressed by setting up a hedging product, alternatively in the form of an independent financial technology company, to offer affordable currency options to impact investors. The form and implementation would need further research

Supporting Mechanism/technical Assistance: Financial literacy training for social enterprises

Issue targeted: Lack of financial documentation and accounting acumen hinders social enterprises from raising debt funding

What/how: A training facility designed to help selected social enterprises in the preparation to generate financial statements. The objective would be to help them on: preparation and maintenance of accurate profit and loss, balance sheet and cash flow statements. The training would be done on companies with the potential to export and raise debt from trade financiers such as Oikoscredit, Root Capital and ResponsAbility. Having the support of the impact investors would be key

Supporting Mechanism/Technical Assistance: Training entity for local banks

Issue targeted: Lack of understanding from local banks in social enterprise model refrain them from investing. As an example, banks are comfortable with agriculture models (processors, trading) that they understand and that are fairly known in terms of crop cycle and markets (e.g. palm oil, cocoa, soya, corn) but don't understand other more complex models or crops

What/how: Piloting the design and implementation of a training arm or workshop engaging/targeting local banks in meeting, understanding social enterprise models. A facilitator will capture the learnings and will train

bank relationship managers and financial product design teams in understanding the risk and risk mitigation tools. A pilot in the agriculture supply chain would be considered

ii) Direct Funding Schemes

Direct Funding: Catalytic first loss capital

Issue targeted: Lack of seed funding. Reluctance from banks and impact investors to invest as risk is perceived to be too high

What/how: A catalytic or 'first loss capital' structure would encourage the flow of capital to Indonesian social enterprises by improving their risk-return or by providing incentive for other capital providers to invest. The structure of first loss capital could take several forms: a credit guarantee, subordinated debt, matching grants and most junior equity positions. As an example, Panin Bank's top executive expressed that they would be interested to consider loan to smaller enterprises and social enterprises if there was an institution willing to provide a guarantee

CHAPTER III: Impact Monitoring Framework

There is an increasing need for impact measurement following the growing trend of impact investing. More stakeholders (e.g. private foundations, government, individual investors, banks) have been diving into the sector over the past few years, with over USD 15.2 billion in assets globally committed to social enterprises in 2015³². Social enterprises, especially those at the mature stage, have also begun to produce thorough impact reports to increase their credibility in the eyes of their stakeholders.

Although there has yet to be a universal impact measurement tool, several global frameworks are available to practitioners. These include **IRIS, GIIRS, SROI, and B-Analytics**. With over 400 metrics listed for free, IRIS has become a common language. It is used by 78% of 50 global impact investors listed on ImpactAsset50, which are mostly headquartered in North America and own a large sum of total assets (over USD 100 Million). As IRIS only acts as a catalogue, many early-stage social enterprises encounter challenges in understanding and constructing the metrics into data and further translating them into a useful impact report. Other alternatives like GIIRS, B-Analytics, and SROI offer assessment and certification services, but require monetary and time investment. For example, B Impact Assessment (B-Analytics) charges between USD 500 to USD 50,000 annual fee depending on their annual revenue and takes at least one year to issue final certification.

The latest innovation in impact monitoring framework is Acumen's Lean Data. Leveraging on the growing number of mobile phone users in developing countries, it claims to be able to generate valuable data directly from beneficiaries in the span of four weeks, on average at a USD 5,000 fee per project³³.

In Indonesia, these global impact metrics are barely used due to low demand in the market and high cost associated. Many social investors in Indonesia are not expecting the companies they invest in to generate a comprehensive impact assessment report and/or certification using the global impact measurements, since most of the investees are still in the early stage. Most of the institutional investors eventually agree with the investees regarding the relevant impact metrics for each investment. An impact investor interviewed for instance, measures at investment level and aggregates the number of total beneficiaries, employment and livelihoods created, but for each investment and sector category, it still measures specific metrics such as number of educated students and number of beneficiaries with access to essential services for technology for the development sector³⁴. Other examples are Mercy Corps Social Ventures and ANGIN, which focus on developing the impact logic framework for social enterprises and measuring the relevant metrics that are representing both business and impact performance.

³² https://thegiin.org/assets/2016%20GIIN%20Annual%20Impact%20Investor%20Survey_Web.pdf

³³ <http://socialcapitalmarkets.net/2016/01/19/socaptv-a-revolutionary-approach-to-measuring-impact/>

³⁴ <http://www.aavishkaar.in/images/download/publications/Aavishkaar%20Impact%20Report%202016.pdf>

SECTION I. Understanding Global Impact Metrics Frameworks

There are four (4) most commonly used global impact metrics: IRIS, GIIRS, SROI, and B-Analytics. IRIS is a catalogue of standardized performance metrics to be individually used for free. GIIRS offers a third-party assessment that provides impact ratings for a fee. SROI is a framework to calculate ROI on non-financial impact. Meanwhile, B-Analytics is an easy-to-use platform to measure, benchmark, and report impact. A new addition that has become more commonly used is Acumen's Lean Data. To provide more meaningful insight to businesses, Acumen collects data directly from beneficiaries. Thus, social enterprises can clearly know how their products impact them. Below are the pros and cons in using each metric.

TABLE 2: GLOBAL IMPACT METRICS

IMPACT METRIC	DESCRIPTION	PROS	CONS	SAMPLE USERS
Impact Reporting and Investment Standards (IRIS)	<p>Developed by GIIN, IRIS is a catalogue of standardized impact performance metrics. It combines social and environmental impact metrics with those used in financial performance measurement and reporting.</p> <p>IRIS consists of more than 400 existing metric taxonomies and third party standard that revolve around six focus areas, including Organization Description, Product Description, Financial Performance, Organizational Impact, Product Impact, and Glossary.</p>	<ul style="list-style-type: none"> • Free to use as a reference • Universally used across geographies or sectors • Complete metrics 	<ul style="list-style-type: none"> • Difficult to understand on its own • Often, early-stage social enterprises do not know how to use it • Need to be used with other tools to measure and compare 	Aavishkaar, Accion, Impact Investment Exchange Asia (IIX), KIVA
Global Impact Investing Rating System (GIIRS)	<p>GIIRS is a third-party assessment that provides company and fund impact ratings based on their social and environmental impact.</p> <p>GIIRS' metrics are focused on five key areas of organizational activity, i.e. leadership, employees, products and services, community, and environment.</p>	<ul style="list-style-type: none"> • Can benchmark with other companies • Metrics and assessment tool are free 	<ul style="list-style-type: none"> • High monetary and time investment for analytics/certification • Metrics capture processes and outputs more than impacts 	Acumen, Grassroots, Gray Ghost Ventures, The Rockefeller Foundation

IMPACT METRIC	DESCRIPTION	PROS	CONS	SAMPLE USERS
Social Return on Investment (SROI)	<p>A framework to calculate ROI on non-financial impacts (i.e. social, environmental, and economic outcomes) based on the “social cash flow” by using monetary values to represent them</p> <p>SROI analysis is generally conducted by those accredited by the international SROI Network</p>	<ul style="list-style-type: none"> • Free for independent use • Can be used across multiple sectors 	<ul style="list-style-type: none"> • Complicated to use • High subjectivity • Require requisite skills to use • Intensive training 	One Acre Fund, YouthSpark program of Microsoft Japan, Nexus for Development, SOW Asia Foundation
B-Analytics	A customizable platform used to measure, benchmark, and report impact. Through their fully integrated platform, impact investors and social enterprises can customize impact metrics that are comparable with GIIRS and IRIS	<ul style="list-style-type: none"> • Comparable with GIIRS and IRIS • Impact information on over 1,600 firms and 90 investment funds for benchmarking purposes 	<ul style="list-style-type: none"> • Monetary investment required 	Bridges Ventures, Vox Capital, Etsy, Gray Ghost Ventures
Acumen’s Lean Data	Application of lean experimentation principles to the collection and use of social performance data. Acumen’s Lean Data questions are a mix of customer satisfaction metrics and general survey on the beneficiaries.	<ul style="list-style-type: none"> • Less time required • Meaningful and more objective data directly from beneficiaries 	<ul style="list-style-type: none"> • Monetary investment required for training 	Solarnow, Labournet, Ziqitza

Source: ANGIN Desktop research³⁵

Such approaches and standards for impact mentioned are mostly practiced by impact investors, impact fund managers, and social enterprises at very mature stages. The level of foundation work they offer is beneficial to the investors, but not to the entrepreneurs. Social enterprises, especially at the early stage, do not measure their impact due to its complexity, cost and time investment, and more importantly, the perception that not much can be learned from the data³⁶.

³⁵ https://ssir.org/articles/entry/unpacking_the_impact_in_impact_investing, <https://blogs.cfainstitute.org/investor/2013/09/23/impact-investing-how-do-you-measure-social-and-environmental-impact/>, <http://www.hbs.edu/socialenterprise/Documents/MeasuringImpact.pdf>, <https://blogs.cfainstitute.org/investor/2013/09/23/impact-investing-how-do-you-measure-social-and-environmental-impact/>, <http://socialventures.com.au/assets/SROI-Lessons-learned-in-Australia.pdf>

³⁶ <http://socialcapitalmarkets.net/2016/01/19/socaptv-a-revolutionary-approach-to-measuring-impact/>

Most of the time, social enterprises in Indonesia choose their own impact metrics measurement based on their own theory of change or impact logic.

TABLE 3: EXAMPLES OF IMPLEMENTATION OF IMPACT METRICS IN INDONESIA

SOCIAL ENTERPRISE	IMPACT METRICS	REASONS TO CHOOSE THEIR IMPACT METRICS AND METHOD
YCAB	Develop its own impact metrics <ul style="list-style-type: none"> • Impact on women and young people: number of beneficiaries • Impact on education: number of enrolment of children in the beneficiaries' households 	Limited resources to use global metrics. YCAB believes that global metrics is more meaningful at the global level to compare between funds. However, it is not very useful within the fund itself.
DU'ANYAM	Develop its own impact metrics Plans to be done once every two years <ul style="list-style-type: none"> • Number of women producing wicker • Increase in income from waving • Increase in women's decision-making power (based on DHS metric) • Increase in diet intake (IDDS) and pregnancy saving 	Founders with strong academic background are familiar with available metrics. They can only baseline all metrics because such measurement takes a lot of resources (i.e. finance and human). Received grant to focus on the social impact measurement.
VASHAM	Develop its own impact metrics (Vasham rolls out an integrated survey about farmers profiling, business performance, and impact) <ul style="list-style-type: none"> • Increase in income for farmer • Farmer's satisfaction as a member Currently, Vasham is transitioning to use Acumen's Lean Data.	They have the resources to conduct the survey and it is aligned with their customers profiling.

Measuring impact should not only be beneficial to the investors but also to the social enterprises. Many social enterprises come with a vague idea about how their business delivers impact. By measuring impact, social enterprises can evaluate in a visible way whether their business directly and effectively delivers the intended benefit to the beneficiaries³⁷.

³⁷ <https://www.theguardian.com/social-enterprise-network/2012/nov/20/measuring-impact-social-enterprise-essential>

SECTION II. Impact Logic: Applicable Framework for Early-Stage Social Enterprise in Indonesia

Although great assessment details represented in GRII and similar standards might not be necessary at the early stage, it is still important for social enterprises to monitor impact performance. Impact logic is one of the most convenient ways to do so. Through impact logic, especially at the early stage, social enterprises should be able to justify how their business is linked to the intended impact³⁸. It is expected that social enterprises can identify the effect of each business value chain, from how their resources (**inputs**) are invested to conduct concrete actions (**activities**), how these activities result in tangible products (**outputs**), to how the products lead to an **outcome** (e.g. increase in income), and later, how the outcome generates a greater effect in a larger scope (**impacts**). Example of this greater impact is an improvement in the nutrition level of beneficiaries following a rise in their income.

TABLE 4: LOGIC MODEL FRAMEWORK³⁹

	Inputs	Activities	Outputs	Outcomes	Impacts
Definition	Resources (capital, human) invested in the activity	Concrete actions of the investee	Tangible products from the activity	Changes resulting from the activity	Broader change occurring in communities or systems resulting from the activity
Application/example of indicators	USD, number of people, etc.	Development and implementation of programs, building new infrastructure, etc.	Measurable actions or conditions that assess progress against specific operational activities, e.g. Number of people reached, items sold	Measurable actions or conditions that demonstrate progress toward specific outcomes, e.g. increased access to education	Effects on a broader target population, e.g. sustained drop in poverty, increase in literacy rates
	Planned work (internal)		Intended Results (external)		

As a side note, there is a certain degree of assumption that investors should be comfortable with when using impact logic. Impact logic assumes that social enterprises' inputs and activities will not necessarily and directly lead to the intended impacts; when an organization is constantly improving their product or services and reaching their target customers, their activities will eventually lead to a longer-term impact⁴⁰.

Another variation of impact logic involves intermediaries, which leads to what we call indirect impact⁴¹. JAVARA is an example of a social enterprise with indirect and direct impact. The company partners with an NGO named Sahabat Cipta (spin-off from Swiss Contact) to gain access to local smallholder farmers. Even though JAVARA does not directly work with the farmers, its business affects the livelihood of more than 50,000 farmers. Meanwhile, an example of a social enterprise that directly impacts its beneficiaries is VASHAM. VASHAM recruits local farmers and assists them in the overall supply chain process from seeding to selling.

³⁸ <http://angin.id/2016/11/10/how-measuring-your-impact-should-be-at-the-core-of-your-business/>

³⁹ <http://www.hbs.edu/socialenterprise/Documents/MeasuringImpact.pdf>

⁴⁰ Interview with Mercy Corps Senior Advisor Timothy Rann

⁴¹ Interview with LGT VP*

Many global social entrepreneurs and impact investors use the logic model as their underlying framework. Japan Venture Philanthropy Fund (JVPF) combines the theory of change and logic model to measure milestone towards their long-term goal⁴², LGT Venture Philanthropy (LGT VP) combines logic model and the UN Millennium Ecosystem Assessment's Quality of Life in their methodology⁴³, while an Indonesia-based enterprise named Kopernik developed its own impact assessment framework that is based on the theory of change and logic model⁴⁴.

SECTION III. Impact Framework Relationship with SDG Tracking

The Sustainable Development Goals (SDGs) are planned to be tracked at the national level by the National Statistical Offices (NSOs) such as the Indonesian BPS (National Bureau of Statistics), and aggregated at the global level.⁴⁵ There are also aggregated measurements that will be done per sector and at the regional level. There are 100 indicators that were proposed to be tracked at the national level and to be reviewed at global level, which will be assessed by the High Level Political Forum of the SDGs with the objective of reviewing progress and continuous learning. The “Indicators and a Monitoring Framework for the Sustainable Development Goals” report has proposed 100 metrics categorized based on its relevance to the individual SDG.

To align with the global impact measurement, the SDGs indicators can be positioned as a point of reference – like IRIS, to which the social enterprises and investors can choose to measure. Given that there are NSOs, social enterprises and impact investors can explore potential collaboration to ease the measurement expense. However, it eventually comes back to the readiness of each social enterprise to choose which metrics are more relevant to them.

SECTION IV. Recommendations

Measuring impact performance is crucial as it helps social enterprises in tracking the alignment between their businesses and the intended impact, as well as informing the investors on their social return on investment. It is undeniable that the current global social **impact metrics pose challenges in their usage**, especially for early-stage social enterprises. It requires significant investment on time, capital, and skill. Instead of sacrificing more time and capital on this than on business operation, early-stage social enterprises can use impact logic to assess their impact success in the initial stage.

In measuring their impact, early-stage social enterprises should **keep it simple**. Picking only the metrics that are aligned with their business. Additionally, their impact measurements should be useful to them⁴⁶ and not to the investors. One of the indicator telling that a social enterprise is measuring impact wrong, is when it tracks impact only from the investor's point of view. Social enterprises can adopt the Acumen's Lean Data principle, which directly gathers data from beneficiaries and thus generates more meaningful insight for the company.

⁴² <https://avpn.asia/wp-content/uploads/2016/05/AVPN-IA-report-2016-web.pdf>

⁴³ <http://www.hbs.edu/socialenterprise/Documents/MeasuringImpact.pdf>

⁴⁴ <https://avpn.asia/wp-content/uploads/2016/05/AVPN-IA-report-2016-web.pdf>

⁴⁵ <https://sustainabledevelopment.un.org/content/documents/2013150612-FINAL-SDSN-Indicator-Report1.pdf>

⁴⁶ David Soukhasing, ANGIN Head of Investment

As the social enterprise grows, it can start to construct more comprehensive impact metrics. IRIS can be a good reference in familiarizing oneself with common impact metrics across sectors and business elements (e.g. operations, human resource, etc.). At a mature stage, where more stakeholders are involved (e.g. government, donors, and investors), a more solid impact measurement should be put in place.

The existence of impact measurement regimes is questionable, especially in relation to early stage market such as Indonesia. When most impact investors are still refining their investment thesis and trialing their investments, the key is to select investees that are ready for the investment and yield social impact. At this stage, impact investor still needs to take the role of supporting social enterprises to define their impact logic and identify the assumptions they are willing to make.

Redefinition of the Impact boundaries/target: There has been an interesting discussion with some of the impact investors interviewed on social impact versus financial returns. Several investors suggested that impact investing could be done in a continuum with fully commercial investments on one end and charitable gifts on the other end. The impact investors in Indonesia are not only looking at the direct impact generated by the social enterprises for the customers/suppliers/employees, but also at the market level of their investments, which would be measured/generated from: new models, new infrastructures, and policy influence. That has been a trending topic triggered by Omidyar Network with their article on investing “Across the Returns Continuum” published in Stanford Social Innovation Review⁴⁷. Impact investors are considering investments that are in the level of market impact rather than firm impact level only.

⁴⁷ https://ssir.org/articles/entry/across_the_returns_continuum

APPENDIX I: Regulatory Constraints in Each Stage of Company Lifecycle

	Inception		Growth		Scale Up	
Legal	UU No. 28 Tahun 2004 (Foundation) & UU No. 25 Tahun 1992 (Cooperative)	(Foundation) All foundation's wealth are prioritized for achieving foundation's goals. Therefore, member, manager, and supervisor who works in foundation, works voluntarily. (Cooperative) The management team will be selected from and by cooperative members through Member Meeting for 5 years' length of service. Since cooperative aims to increase their member's prosperity, they distribute net income (Sisa Hasil Usaha/SHU) fairly based on each work contribution	UU No. 28 Tahun 2014 (Copyright)	Copyright is different from brand rights and patent. For example, Apple's copyrights are a written down series of code of their software's basis (i.e. only use one key with the rest is using touch screen). Copyrights is needed to protect and provide product's moral & economy rights. It can be transferred through inheritance and written agreements	Keputusan Direksi PT Bursa Efek Indonesia Nomor KEP-00001/BEI/01-2014 Tahun 2014 Peraturan Nomor I-A (IPO)	To do IPO, social enterprise must be in form of PT, have independent commissioner, director, and audit committee. IPO has different requirements for both developing and developed company, for example: min. net tangible asset for developed company is IDR 100 B and IDR 5 B for developing company, while min. shareholders after IPO for developed company is 1.000 shareholders and 500 shareholders for developing company

	UU No. 40 Tahun 2007 (PT) & KUHD (CV & Firma)	<p>(PT) For an investment to be reflected in Article of Association, a social enterprise must be in form of PT. (Pasal 19 - 21) In CV, some founder role as lenders and the others role as director-responsible to manage the company. Only the director is personally liable. (Pasal 16 - 35) Firm has two types of players; passive and active, but both are personally liable to the livelihood of the company</p>	UU No. 15 Tahun 2001 (Brand)	Brand is a combination of elements (i.e. images, names, words, color composition) to distinguish good & service's features. For example, "Apple" and its logo which attached in every iPhone, iPad, iMac and iPod is a brand	Peraturan Pemerintah No. 42 Tahun 2007 (Franchise)	Franchisor must have Surat Tanda Pendaftaran Warabala (STPW) before make an agreement with franchisee. Agreement between franchisor and franchisee must mention the type of intellectual rights; assistance, facilities, operational guidance, training and marketing given; location; duration of agreement; payment's procedure; dispute resolution; and procedure for extension and termination
	Peraturan Menteri Perdagangan RI Nomor 77/M-DAG/PER/12/2013 (Business License & Certificate of Company Registration)	Business License (SIUP/Surat Izin Usaha Perdagangan) and Certificate of Company Registration (TDP /Tanda Daftar Perusahaan) is mandatory for setting up a business. The request letter should be signed by the manager or person in charge on the stamp. Business owner/Manager/Person in Charge can done this through third party, but must attach Power of Attorney and sign it on the stamp	Peraturan Kepala BKPM No 15 Tahun 2015 (PT. PMA); Peraturan OJK No. 34 /POJK.05/ 2015 (VCC/PT. PMV)	PT.PMA & PMV are some alternatives for social enterprises to get foreign capital. Unlike PMA, which must in form of PT, PMV can be established in form of PT, CV, and cooperatives	UU No. 7 Tahun 2014 (Export & Import)	Exporter can be individual and/or legal entity. There is no certain license for export and import activities, but company must have agreement and licensing (i.e. SIUP & TDP) documents. However, export and import activities are restricted for certain goods. For examples: (import) toxic waste, certain species of shrimp; (export) arwana fish fry, lobster, and silica sand

Finance and Governance	UU No. 40 Tahun 2007 (PT) & KUHD (CV & Firma)	The difference between PT (limited liability company) and CV is on their liability limitation. If they face liquidation and company's wealth is not enough, owner's personal wealth will be used; meanwhile in PT, shareholder's personal wealth is secured from company's liquidation. Based on ownership's structure, only PT basis who can receive equity investment. If their investment is 25% and/or over of the total capital, then they must be included in company's management team (included to the Board of Commissioner members)	UU No. 40 Tahun 2007 Pasal 66 (Annual Reports)	Social enterprises in PT basis require to issue Annual Reports that include: (1) Financial Reports: The year-end balance sheet, income statement, cash flow statement and statement of changes equity, (2) PT activities, (3) Implementation of Corporate Social Responsibility (CSR), (4) Reports on supervisory duties by Board of Commissioners, (5) Members of Board of Commissioner's names, (6) Salaries and allowances for BoD and BoC in previous year	Peraturan Kepala BKPM No 15 Tahun 2015 (PT. PMA)	To set up PT. PMA, you require min. IDR 10 Billion for initial capital and had run for min. 1 year. However, PT PMA is prohibited for certain industries such as agriculture, plantation, communication, culture and tourism
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		PT and Firm must be founded by at least 2 people. PT will have board of commissioner and directors structure. Cooperative must have at least 20 members while foundation must have at least 3 persons for management team, 1 supervisor and 1 founder	Peraturan Menteri Koordinat or Bidang Perekonomian No. 8 Tahun 2015 (KUR)	KUR (Kredit Usaha Rakyat) is credit/ working capital financing for worthy and productive business who doesn't have sufficient collateral. KUR is distributed by appointed banks and non-bank financial institutions. KUR's recipients can be an individual or legal entity who do productive business, such as SMEs, Indonesian worker (Tenaga Kerja Indonesia/TKI) candidates, fixed-income employee's family member, and laid-off workers	Peraturan OJK No. 34 /POJK.05/ 2015 (VCC/PT. PMV)	The initial capital to set up venture capital company depends on its legal entity, such as (1) PT - min. IDR 50 Billion; (2) cooperative - IDR 25 Billion; (3) CV - IDR 25 Billion. The highest foreign ownership percentage for venture capital company is 85%.
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Human Resource	UU No. 13 Tahun 2003 (Employment)	The mandatory allowances for employee are minimum wage and BPJS, where min. wage is varied across province and/or regency. Employment agreement with unspecified time period can presuppose probation for max. 3 months. During probation period, employer is prohibited for paying wages below current minimum rate	UU No. 13 Tahun 2003 (Employment)	Social Enterprises can outsource workers for supporting divisions only (cleaning service, catering, security) and not the core business divisions. After both parties signed the contract, it cannot be changed unless there is approval between related parties	UU No. 13 Tahun 2003 (Foreign Employment)	In terms of employing foreign workers, employer must have a plan of employing foreign workers that has been confirmed by Minister and officer appointed. It should at least mention: (a) reasons of employment (2) foreign worker's position in the relevant company structure, (3) time span of employment, (4) appointing domestic worker to assist foreign worker
	UU No. 40 Tahun 2007 Pasal 43 Ayat 3 (ESOP)	ESOP (employee stocks option program) is given to employees as rewards to create alignment of interest, intensify motivation & commitment and support long-term business strategy		The ideal working hours in Indonesia should cover: (1) 7 hours a day and 40 hours a week for 6 days of working in a week, or (2) 8 hours a day and 40 hours a week for 5 days of working in a week. However, this regulation is not applicable for certain business sector. Workers also have rights for a 30 minutes break after working straight 4 hours of working and 12 days for leave of absence after a year working.	Peraturan Menteri Tenaga Kerja No. 35 Tahun 2015	This regulation removes the requirement of employing 10 local employees for 1 foreign employee. However, it also regulates that local company (Perusahaan Milik Dalam Negeri/PMDN) is prohibited to employ foreigners as commissionaire

Taxation	UU No. 28 Tahun 2007 (NPWP)	Taxpayer Identification Number (Nomor Pokok Wajib Pajak/NPWP) is a primary need for social enterprise, since it will be required for applying bank credit, bank account, SIUP&TDP, final tax (Income Tax/PPH, VAT/PPN, etc) and joining government's auction. It will also facilitate SEs to do tax refund, tax payment reduction, and tax deposit and reporting	UU PPN Tahun 1983 (Value Added Tax-VAT/PPN)	Entrepreneur who sell Taxable Goods and/or Services is called Taxable Entrepreneur (Pengusaha Kena Pajak/PKP), excluding small-scale businesses (income under IDR 4.8 Billion per year) which limited by Decree of the Minister of Finance, except for small-scale entrepreneurs who choose to be confirmed as the Taxable Entrepreneur	Peraturan Pemerintah No. 41 Tahun 1994 juncto Peraturan Pemerintah No. 14 Tahun 1997 (Income Tax for Capital Gain)	Final taxation for every transaction in stock exchange market; 0.1% from gross transaction amount regardless it's gain or loss. In this condition, capital gain's definition is not applicable in taxation
	UU No. 25 & 40 Tahun 2007 (CSR)	Corporate social responsibility (CSR) is a mandatory for every company. Therefore, CSR expenses will be considered deduct company's income – deduct its income tax	UU No. 38 Tahun 2003 (Income Tax/PPH)	There are 2 types of income tax's fares which is either 15% or 2%. It's classified by the object, where 15% are for gross amount of dividend and awards. Meanwhile, 2% are for (a)rewards for technical, management, construction and consultant services, (b) gross amount of rent and other income related to asset utilization (except land and/or building)	UU No. 38 Tahun 2003 (Income Tax for Dividend)	Income tax in terms of dividend in Indonesia is different regarding the who receives the dividend. For business entity, it taxes 15% for who own tax ID number and 30% for business entity who doesn't. It taxes 10% for personal investors and 20% for foreign investors
	Peraturan Pemerintah No. 9 Tahun 2016 (Tax)	Entrepreneurs in labor-intensive industry will receive tax incentive in form of income tax reduction. That tax reduction applied for 6 years – 5% for each year	Peraturan Pemerintah No. 9 Tahun	Entrepreneurs in labor-intensive industry will receive tax incentive in form of income tax	Undang-undang Keadbean Nomor 17	Kemudahan Impor Tujuan Ekspo (KITE) is a fiscal facility given to imported goods that will be

	Incentives)		2016 (Tax Incetives for Labor Intensive Industry)	reduction. That tax reduction applied for 6 years – 5% for each year	Tahun 2006 Pasal 26 (Import Facilities for Export Purposes/ KITE)	processed, assembled, and paired to other goods for export purposes. The responsible unit for KITE is Directorate General of Custom and Excise
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APPENDIX II: Sector Specific Regulatory Constraints Faced by Social Enterprises

Healthcare		
1	Peraturan Menteri Kesehatan RI no NOMOR 9 TAHUN 2014 TENTANG KLINIK	To provide health service, you need clinic permits: (1) Klinik Pratama for general practitioner services and (2) Klinik Utama for medical specialist services. To be able to sell medicine, there is another license and a licensed pharmacist need to be present. All drugs must be listed in the Public Health Office
2	Based on interview with Social Enterprises	One of the challenges that is faced by tech-based social enterprise in the healthcare sector is the regulation that doctors need to do physical examination to prescribe a medicine. While this is an important safety standard, this becomes a challenge when social enterprises want to create an application that can reach out to people with limited access to hospital to obtain healthcare information
3	UU Praktik Kedokteran No 29 Tahun 2004, Peraturan Konsil Kedokteran Indonesia No 6 / 2011	It is difficult for foreign doctors or medical practitioners to be able to practice in Indonesia. They must be registered under the health Ministry, but the current regulation upon the permit remains unclear

Food and Beverages		
1	Peraturan Pemerintah No. 69 Tahun 1999 (Food Label)	Every food processed packages must provide information about the ingredients, net weight, net contents, producer and/or importer, halal certification, production date and code, and expired date
2	Peraturan Pemerintah No. 31 Tahun 2007 (Agriculture)	Value added tax/ PPN is not charged for raw agriculture materials (i.e. fruits and vegetables). However, there are sales, you still need to pay for the income tax
3	Based on interview with Social Enterprises	Agriculture is one of the most heavily regulated sector in Indonesia. One example of regulation that impairs the growth of social enterprise in the sector is the full government control over subsidized fertilizer. Limiting areas of support that social enterprises can provide
4	Peraturan Presiden No. 103 Tahun 2001 Pasal 68 (BPOM)	BPOM's goal is to reduce the risk of using food and medicine by doing safety and quality assessment before being allowed to be distributed in Indonesia. Therefore, all import and export food and medicine products in Indonesia must be licensed by BPOM. BPOM is needed for finished medicine, raw material medicine, traditional medicine, cosmetics, food raw materials, food additives and

		food products
5	Peraturan Pemerintah No. 102 Tahun 2000 (SNI)	SNI is defined by National Standardization Institution/BSN (Badan Standarisasi Nasional). SNI licensed is not a mandatory for several products, but it shows professionalism to have SNI license. Because to get SNI license you need to fulfill several standards, such as openness, transparency, consensus and impartiality, effectiveness and relevance, coherence, and development dimension
6	Halal Certification by Indonesian Council of Ulama/ MUI (Majelis Ulama Indonesia)	Since most of the population in Indonesia is Muslim, the best practice is to have halal certification for F&B and medicine products. To have halal certification, MUI will check your product's ingredients, product facilities, written procedures, and traceability
7	Nomor Ijin Edar (Distribution Permit Number)	Nomor Ijin Edar (Distribution Permit Number) is number given from government agencies after they meet the product quality's standards. Given the typically small asset and minimum understanding on these standards, early stage social entrepreneurs may find it hard to obtain the license

Information and Communications Technology (ICT)		
1	UU Nomor 28 Tahun 2014	A Social enterprise with product innovation, including technology algorithms, needs to get intellectual property rights to obtain moral and economy rights. This right includes; patent, trademark, industrial design, repression of unfair competition, layout of integrated circuit and trade secret. However, this law has not been properly disseminated to the social enterprise sector, leaving entrepreneurs unaware of their rights and ability to protect their products. The government try to ease the process of applying for this right by allowing multichannel applications, through; Direktorat Jenderal Hak Kekayaan Intelektual, Kanwil Kemenkumham Indonesia and through certified consultant. Moreover, overall law enforcement in Indonesia not very strong yet therefore there are many cases of piracy and other breach of intellectual rights unresolved

Renewable Energy		
1	UU NO 30 Tahun 2009 tentang Ketenagalistrikan	Private electricity supplier needs to obtain PLN permit (Ijin Usaha Penyediaan Tenaga Listrik - IUPTL). The Ministry of Energy and Natural resources has the right to determine which specific location where the companies can operate (wilayah usaha). After this is approved, the company must get PLN's approval in terms of operational plan and setting up tariffs to sell to PLN

Education		
1	UU No. 28 Tahun 2004 (Education)	In formal education , accreditation should be held in every 5 years. Per National Education Standard Institution/BSNP (Badan Standar Nasional Pendidikan), there are 8 education national standards that cover graduate competency, content, process, education and teachers, management, fees, and assessment

		The most appropriate legal entity for schools is foundation, since education has non-profit nature. However, foundation cannot directly operate a school, they should make another legal entity to operate the school. School's foundation must make sure that their participation their investment over school is no larger than 25% of their total wealth
2	Permendiknas No. 41 & 42 Tahun 2009 (Trainer's License)	For non-formal education (i.e. skill's course and training), other than must have operational license, the management team and teachers must meet the national standard
	Permendag No. 46/M-DAG/PER/9/2009 Tahun 2009 (Course and Trining's Name)	You cannot establish your course and training under the same name of your previous organization. For example: Apple Inc. cannot establish coding training organization, it should be named differently (i.e. Apple Academy)

APPENDIX III: Regulatory Constraints Faced by Investors

Bureaucracy in clearing legal requirements for foreign investments		
1	Law of The Republic of Indonesia UU Number 25 Th 2007 (Concerning Investments)	PT Penanaman Modal Asing (PMA) is a legal entity in which a foreign person, foreign company, or foreign government body can have ownership and conduct business in Indonesia (generating revenue streams and profit). But if a foreign investor only wants to do market research or networking activities, having a representative office is sufficient
2	Law of The Republic of Indonesia UU Number 25 Year 2007 (Concerning Investments) Article 5 (Forms of Business Entity and Domicile)	Foreign investments must be done on a limited liability company (PT) under Indonesian law, and domiciled within the territory of the state of the Republic of Indonesia, unless provided otherwise by law. Besides having more legal structure on LLC form, the purpose of this regulation is to protect the stakeholders inside the company with clear law regulations
3	Minimal Capital Requirement for PMA	Minimum capital requirement of IDR 10 billion or the equivalent value in US dollars and the paid-up capital as minimum as 25% of the capital requirement (hence IDR 2.5 Bn) for PT PMA. The Indonesian government set a high requirement to attract large scale companies and investors, while protecting smaller sized local businesses
4	Law of The Republic of Indonesia UU PPh Number 38 Year 2000 (Concerning Income Tax)	Resident taxpayer or permanent establishment shall be subject to withholding tax of 15% of the gross amount (as stated in UU PPh Article 23). Tax applicable to dividend individual resident taxpayer is 10% of the gross amount. Meanwhile, a non-resident taxpayer other than a permanent establishment in Indonesia, shall be subject to withholding tax of 20% of the gross income

5	BKPM procedure on setting up Foreign Owned Company in Indonesia	For foreign companies and investors to open operation in Indonesia, there are two options; (1) Either they need to first obtain license from the Indonesian Investment Coordinating Board (BKPM), afterwards the process is in general the same with setting up a business as PT., or (2) Request the PT name to Ministry of Law & Human Rights first, but then they still must obtain PMA license
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Limited avenues to invest due to negative list		
1	Regulation of The President of the Republic of Indonesia Number 44 Year 2016 (Concerning Investment Negative List)	There are three types of industry categories regarding foreign investment; (1) Open for investment with conditions, (2) Closed, (3) Others. The government has listed sectors that must be 100% owned by domestic capital such as forestry, media, smallholders' credit bank. They also list those that are open for investment with conditions such as max 49% foreign ownership on talent provider services, etc. And there are other sectors that require special approval by relevant ministries such as Pharmaceutical industry

Foreign Employment		
1	Law of The Republic of Indonesia UU Number 6 Year 2011 (Concerning Immigration)	Foreigners find it difficult to conduct business or to work in Indonesian companies due to the bureaucracy and timely law process. Regardless of the companies and sectors, a company that wants to hire foreign workers must meet certain criteria and process required long documents. To employ foreigners, the required documents would be company sponsorship, RPTKA (Expatriate Placement Plan, granted by the government), working permit (IMTA), then the temporary state permit (ITAS). It is stated that the cost for companies to employ foreign workers are USD 1200/year and additional fee for temporary stay permit around USD 55/6mo to USD 180/24m. Many cases found are expats or foreign workers must use the local agent to deal with all the permits with a high price to pay. (3 to 10 times the regular fee)
2	Peraturan Presiden Republic of Indonesia Number 72 Year 2014 Ch 2 Article 3 (Concerning Foreign Employment)	Those who can hire foreign workers are including PT PMA, social entity, and many more. The ratio of hiring a foreign worker has also to be balanced at a minimum of 1:1 with the Indonesian nationality worker
3	Law of The Republic of Indonesia UU Number 25 Year 2007 Article 10 (Concerning Labor)	Investment companies shall be authorized to engage foreign-national experts for specified office and expertise under provisions of laws and regulations. Investment companies that employ foreign workers must conduct training and transfer technology to Indonesian-national workers under provisions of laws and regulations

Exposure to financial risk on investment due to regulation to disburse investment in local currency		
1	Law of Central Bank of Indonesia Number 17/3/PBI/2015 (Concerning requirement of using Indonesian Rupiah in Republic	Mandatory use of the IDR for all domestic transactions conducted in Indonesia. The Central Bank stated that IDR must be used inside the country to gain its value and usage frequencies. Exemptions include certain transactions related to the state budget, income and grants from/to foreign countries, "international trade transactions", foreign currency savings in banks and international financing

	of Indonesia)	transactions which can be open to broad interpretation in practice. The IDR is not allowed to be transferred out of Indonesia; however, it may be transferred from residents to nonresidents within Indonesia for amounts up to IDR 500 million without any documentation. However, a non-resident entity must state the reason for the transfer. Both residents and non-residents may hold foreign currency accounts in Indonesia. Failure to comply with this regulation may cost IDR 200M fine or maximum 1 year in prison
2	National Investment Coordinating Board Indonesia (BKPM)	Companies need to maintain healthy debt to equity Ratio (commonly at 1:4, maybe adjusted due to the worthiness of each business)
3	Law of The Republic of Indonesia UU Number 25 Year 2007 Ch 5 Article 8 (Concerning Investments)	Investors shall be granted the following rights to transfer and repatriate in foreign currencies such as capital, profit, funds to purchase new materials, and including the funds for repayment of loans
4	Bank Indonesia Regulation Number 15/8/PBI/2013 as amended by Bank Indonesia Regulation No. 16/18/PBI/2014 (Concerning Hedging Transaction)	The limitation for the underlying economic activities of hedging transactions is anything to be decided by Bank Indonesia and the transactions are considered as a pass-on to the derivative transaction position of the related party to the local bank
5	Bank Indonesia Regulation Number 16/20/PBI/2014 & 16/21/PBI/2014 (Implementation of Prudential Principles on the Management of Foreign Loans of Non-Bank Corporations)	Any Non-Bank Corporation that has foreign loans must implement prudential principles, by satisfying certain obligations to comply with minimum hedging ratios, liquidity ratios, and credit ratings under the BI regulation. This regulation was made to drive the implementation of entities' precautionary principle on many risks that could arise from foreign loans
6	Bank Indonesia ("BI") Regulation No. 18/8/PBI/2016, as the second amendment of BI Regulation No. 15/17/PBI/2013 (Concerning Hedge Swap Transactions through Bank Indonesia)	Stipulation on hedge swap transactions through BI shall be conducted in a foreign currency against IDR. It also changes the maximum nominal amount for a hedge swap transaction through BI to be in the same amount as the underlying transaction. It was previously regulated that the minimum amount of a hedge swap transaction through BI should be USD 10 million and the maximum nominal amount was the same as the underlying transaction in rounded value (e.g., if the amount was USD 10.5 million then it should be rounded up/down to USD 11 million or USD 10 million)
7	Other Hedging products	In August 2016, BKPM has recently continued its partnership with Bank Mandiri, Indonesia's currently largest bank in terms of assets, loans, and deposits, for the treasury products such as foreign exchange transactions and hedging transaction

Limitation on investment vehicles for foreign investors		
1	Ministry of Finance Decree No 18/PMK 010/2012 (Concerning PT PMV)	The decree states the mutual relationship between the Venture Capital Company (PT PMV) and the investee company. The PPT MV's business activities will be through equity participation, quasi-equity participation or profit/revenue sharing. PT PMV may only invests in new research, early stage companies, or even those who struggle with the financials. The investment period is stated to be in 10 years, otherwise they are obligated to do divestment

2	BKPM Regulation No. 5 of 2013 (Concerning Guidelines and Procedures for Licenses and Non-Licenses for Capital Investment)	Indonesian venture capital companies cannot be shareholders in a large-scale local company (so called PMDN Companies) or a PMA Company. Existing shareholdings by venture capital companies must be divested within a period of 10 years
3	OJK Statement	Around December 2015, OJK urged foreign VCs to partner with local VC when it comes to investing in Indonesia to prevent illegal monetary transactions as well as to protect and boost the local creative industry
4	Financial Services Authority Regulation (<i>Peraturan Otoritas Jasa Keuangan</i>) Number 36 /POJK.05/2015 Chapter V Article 8 (Concerning Good Corporate Governance of Venture Capital Company)	It is obligated that every VCC or VCCS (shariah) that has foreign ownership directly or indirectly must have at least one Indonesian citizen that holds the Director position

Limited information on tax compliance and tax holiday schemes

1	Corporate Income Tax	Every company is treated as resident of Indonesia for tax purposes by virtue of having its establishment or management in Indonesia. As a foreign company, which carries out business activities through a Permanent Establishment license, will generally have to assume the same tax obligations as a resident tax payer. It needs to settle tax liabilities through direct payments, third-party withholdings or both.
2	Law of Republic of Indonesia UU Number 36 Year 2008 Article 17 (Concerning Income Tax)	The flat tax rate of 25% applies for corporate tax payers. Tax period is commonly from January to December. If the tax payer would like to use a different tax period, they would have to obtain approval from the Director General of Tax (DGT) and maintain the tax period consistently.
3	Government Regulation PP Number 81 Year 2007 (Concerning Income Tax Rate Reduction for Domestic Public Companies Taxpayers)	Public companies that satisfy a minimum public listing requirement of 40%, and other conditions, are entitled to a tax discount of 5% off the standard rate, providing an effective tax rate of 20%. Small enterprises are entitled to 50% discount of the standard tax rate (imposed proportionally on taxable income of the part gross turnover up to IDR 4.8 billion (USD 518,000)).
4	Government Regulation PP Number 1 Year 2007 with changes in PP Number 62 Year 2008 (Concerning Income Tax on Investment on Certain Business Fields)	Income tax allowance is available for some taxpayers who invest in certain economic sectors / business areas or certain designated regions that are rated high priority on national scale. Reduction in net income of up to 30% of the amount invested, pro-rated at 5% for six years of the commercial production, if the assets invested are not transferred out within six (6) years
5	Ministry of Finance Decree (PMK) Number 130/PMK.011/2011 with changes in PMK Nomor 192/PMK.011/2014; PMK Number 159/PMK.010/2015 (Concerning Company Tax Deductible)	Newly established tax holiday regulation by Ministry of Finance in 2015 stated that tax holiday will be applicable to investors in pioneering industry whom invest above IDR 500 billion and freed from PPh (income tax) up until 20 years. Such regulation is made to improve the country's competitive advantage and fix the investment climate.

Absence of tax Incentives		
1	Ministry of Finance Decree (PMK) Number 245/PMK.03/2008 (Concerning Entities and Grant as Non Tax Subject)	Grant is not considered as subject to tax if it's given to a social entity such as foundation or cooperation, as long as the grant doesn't have to do with business activities and the recipient doesn't have relationship with the donor
2	PERATURAN MENTERI KEUANGAN NOMOR 76/PMK.03/2011 Article 1 (Concerning Recording Ways for Donations as Tax Deductible from Gross Income)	It is stated that grant for specific purposes such as national natural disasters, R&D, education, sport mentorship, and social infrastructure can be deducted from gross income. The deductible amount in a year must not surpass 5% of the net fiscal income previous tax year. Investors can benefit from giving grants to SE and therefore have less assessable income subject to tax
3	Law of Republic of Indonesia UU Number 7 Year 1983 Ch 3 Article 4 (Concerning Income Tax)	Foundation ("yayasan") is seen to be unable to make investment. The law stated that certain subjects are not subjected to tax such as foundation's income and capital that are gained for the sake of public's interests. As long as the goals are for public interest related, its gain/income is not to subject to tax. The tax case is different when a foundation plans to invest in a for-profit company since the target won't be for the public
4	Tax Deduction (Benchmark Country: Singapore)	Singaporean government incentivize its citizens or corporations to donate by giving donation tax deduction as many as 250%. The number of approved donations by Institution of Public Character (IPC) will be calculated as base for tax deduction. The donor will have 2.5 times of the amount they donated to be deducted from the income and therefore a much lower assessable income to tax
5	Matching Grant (Benchmark Country: Singapore)	One of the way Singaporean government supports its startups ecosystem is by having matching grant and matching investment program. Being under the Ministry of Trade and Industry, SPRING as one of its agency, is responsible for helping enterprises grow. The matching grant works by matching the investee's current investment at USD 7 every USD 3 being raise with the other investors (max SGD 50,000). Meanwhile the matching investment made by SPRING Seed Capital is 1:1 ratio with any business angel investors the startups are bringing (max SGD 2M). Singapore commonly uses matching scheme with charity entities / programs
6	R&D Tax Incentives (Benchmark Country: Singapore)	Specific R&D activities done by Singaporean companies can be considered as tax deductible and it's capped at SDG 300.000 per 3 years. Such tax incentive is to encourage businesses to invest in innovation and facilitate the commercialization of innovations

APPENDIX IV: Type of Angel Investors in Indonesia

Category	SDG focus	Area of support
Conglomerate family	Medium	<ul style="list-style-type: none"> - Strategic connections with other families and the government - Synergy with larger groups - High level mentoring (guidance and inspiration)
3rd and 2nd generation conglomerate, (usually returnees)	Medium	<ul style="list-style-type: none"> - Strategic connections among younger entrepreneurs - Synergy with larger groups - Experience in taking over companies
1st generation (usually returnees)	Medium	<ul style="list-style-type: none"> - Experience in founding and expanding startups - Best practices from more mature markets
Impact focus angel	High	<ul style="list-style-type: none"> - Strategic connections among younger entrepreneurs - Operational expertise
Finance veteran/fund manager	Low	<ul style="list-style-type: none"> - Fundraising support, connection to investors - Technology sector expertise

APPENDIX V: Indonesian Government Related Investment Schemes

Abbreviation	Program	Objectives	Requirement
KUD	Koperasi Unit Desa	Cooperative set up by villagers to provide loan for their members by their members. Usually for agriculture purpose, and to purchase input	Become a member of a village cooperative, pay membership fee
KIK	Kredit Investasi Kecil	Bank loan for small businesses to purchase, rehabilitate or modernize their businesses	Collateral, Legal entity and licenses (or in process)
KMKP	Kredit Modal Kerja Permanen	Bank loan for small businesses to finance their working capital	Collateral, Legal entity and licenses (or in process)
KUK	Kredit Usaha Kecil	Bank loan for small businesses. The bank creates different types of KUK depending on the sector, e.g. KUK for construction sector	Maximum net asset is IDR 200 million, maximum revenue is IDR 1Bn IDR per annum. Maximum credit line is IDR 500 million
KUPEDES	Kredit Umum Pedesaan	Bank loan from BRI for villagers. Can be used for personal loan, does not have to be for business.	Minimum one (1) year operation, the business has legal entity or recommendation letter from the village chief
BKD	Badan Kredit Desa	BKD has been converted to BPR (Bank Perkreditan Rakyat) which is a financial institutional in provincial level to provide microloans in indonesia	It's a bank that provides different types of microloans - can be personal or business loans. Requirements per loan type varies.

P3KUM	Program Pembiayaan Produktif Koperasi dan Usaha Mikro	Syariah financing for syariah based cooperatives. The fund comes from regional government (provincial level)	Not sure if this scheme is still available because the life time of the fund is ten (10) years and it was published on 2016
KUR	Kredit Usaha Rakyat	Developing and empowering SMEs through increasing financial access, market and regulation reformation for SMEs.	Business must be productive; legal entity and license.

APPENDIX VI: Impact investor in Indonesia

Name	Status (# deal)	Name	Status (# deal)
Aavishkaar	Invested	LGT VP	Invested/left (1)
Accion Frontier	Prospecting	Mercy Corps Social Ventures	Invested (3)
Accion Venture Lab	Invested (1)	New Ventures	Prospecting
ANGIN	Invested (10)	Oikoscredit	Prospecting
Crevisse	Prospecting	Omidyar Network	Invested (1)
ENGIE	Prospecting	Pearson Education	Invested (1)
Garden Impact	Invested (3)	Phi Trust	Prospecting
Global Innovation Fund	Prospecting	Rare and the Meloy Fund	Prospecting
Grameen Foundation	Invested/left	ResponsAbility	Invested (2)
Grassroots Business Fund	Invested/left	Root Capital	Invested (7)
Grow Asia	Prospecting	Sosial Entrepreneur Indonesia	Prospecting
ICCO	Invested (1)	Uberis	Prospecting
IFC	Prospecting	YCAB Ventures	Prospecting
IIX	Prospecting		
Kinara	Invested (2)		

APPENDIX VII: Transactions from 2015 to 2016

Case study	Investor	Ticket size (in USD) ⁴⁸	Year	Sector	What they do
Du'anyam	ANGIN Investor	X K	2016	Fashion	Wicker weaving producer
Burgreens	Women Fund ANGIN, ANGIN Network	XXX K	2016	Food and Beverage	Vegan and vegetarian food chain
Igrow	East Ventures, 500 startups	XXX K	2016	Agriculture	Agriculture technology linking farmers to market/funding
Big Tree Farms	OPIC	X M	2016	Agriculture	Food processor
LimaKilo	East Ventures	XXX K	2016	Agriculture	Agriculture technology linking farmers to market
Eragano	East Ventures	XX K	2016	Agriculture	App for farmers to buy farming needs, insurance, access to loans and sell produce
Wobe	Mercy Corps, Change Maker	XXX k	2016	Financial Inclusion	Online to Offline business in box technology company targeting women
PT Bali Sea Food	Aavishkaar	X M	2015	Aquaculture	Sustainable fishery processor/exporter
Kitabisa.com	ANGIN, 500 startups	XXX K	2015	Financial Inclusion	Crowd funding platform
Krakakoa	ANGIN, LGT VP	XXX K	2015	Food	Bean-to-Bar-chocolate maker
Ruang Guru	East Ventures, Venturra	X M	2015	Education	Connect teachers to potential students
E-fishery	Foreign Investors	XXX K	2015	Aquaculture	IoT for fish farming
Vasham	Unitus Impact and Mercy Corps	X M	2015	Agriculture	Provide corn farmers with financing, expertise, and income security
Landmapp	ANGIN, Omidyar	X M	2015	Legal Service	Land certificate technology
Aliet Green	IIX	XXX K	2015	Agriculture	Food processor
Multi Rempa Sulawes	ICCO	XXX K	2015	Agriculture	Food processor

⁴⁸ ANGIN keeps the information confidential

Paloma Shopway	Garden Impact Investing	XXX K	2015	Magazine	Mail ordering catalogue business
Bahtera Kasih Indonesia	Garden Impact Investing	XXX K	2015	Funeral Services	One-stop bereavement and funeral service to needy families
Indo Dunia Sanitasi	Garden Impact Investing	XXX K	2015	Sanitation	Provide affordable sanitation services
Pinjaman Kilat	Indosat, Softbank	XXX K	2014	Financial Inclusion	Crowd lending
RUMA	Omidyar	X M	2014	Financial Inclusion	Microfinancing
Nazava	N/A	XXX K	2014	Water filtration	Filter for safe and affordable drinking water
Agrisocio	N/A	XX K	2014	Agriculture	Farm to table snacks and beverage
Wangsa Jelita	ANGIN Women Fund	XX K	2013	Cosmetics	Natural cosmetics producer
East Bali Cashews	HK Family Office, brokered by IIX	XXX K	2013	Agriculture	Cashew processing
8villages	IMJ-IP	XXX K	2013	Agriculture	SMS based platform for farmers to obtain information

APPENDIX VIII: Table IV: Example of Social Enterprises

Company	Sector	Model	SDG
KraKrakoa	Agriculture	Bean to bar chocolate maker	8 and 12
Javara	Agriculture	Producer of local food ingredients	1, 2, 8, and 12
Nazava	Water filtration	Water filter for affordable and safe drinking water	1, 3, 6, 12 and 13
Burgreens	Food and Beverages	Vegan and Vegetarian food chain	2, 3, and 5
Aliet Green	Agriculture	Food Processor	1, 2, 3, and 8
Du'Anyam	Fashion	Wicker weaving producer	1, 3 and 5
RuangGuru	Education	Connect teachers to potential students	4
Efishery	Aquaculture	IoT for fish farming	14
Limakilo	Agriculture	Agriculture technology linking farmers to market	1, 8 and 12
Landmapp	Legal service	Land certificate technology	1 and 8
Vasham	Agriculture	Provide corn farmers with financing, expertise, and income security	1, 2, 8 and 12
Bali Sea Food	Aquaculture	Sustainable fishery processor/exporter	14
Igrow	Agriculture	Agriculture technology linking farmers to market/funding	1, 3 and 12
Indosole	Fashion	Footwear producer with used tires as soles	12 and 13
Sehati	Healthcare	Mobile application that assists expecting women in monitoring pregnancy	3
East Bali Cashews	Agriculture	Cashew processing	1, 10, 8 and 12
Sirtanio Organik Indonesia	Agriculture	Producer of organic rice	1 and 3
Pandawa Putra Indonesia	Agriculture	Environmental friendly, organic and non-toxic herbicide	3 and 12
Wobe	Financial Inclusion	Online to Offline business in box technology company targeting women	1, 8 and 10
Ocean Fresh	Aquaculture	Non-toxic and environmental friendly seaweed based cosmetics	3, 12 and 14
Aruna	Aquaculture	Application that collects fishery data	1 and 12
Fish n Blues	Aquaculture	Eco-friendly seafood retailer and supplier	1, 12 and 14
Moshi2 Spesialis Sampah	Waste Management	Garbage collection services	15

KraKrakoa (formally Kakoa) (Jakarta), founded in 2013

Problem addressed: Indonesian cocoa farmers have poor understanding on how to properly manage plantations and fight diseases, despite the country being the third largest cocoa beans producer in the world after Ivory Coast and Ghana. There are also issues of low productivity, lack of added value, and lack education in the cocoa fermentation process.

Solution: Bean to bar chocolate maker, KraKraKoa gives extensive training and support on pest management, organic farming, farm sanitation, fermentation, and drying. It then purchases high-quality fermented beans directly from farmers at double the market price (up to IDR 60,000/kg), giving them increased incentive to actively improve the quality of their beans.

Impact/SDG targeted: 8 and 12. Impacted 250 farmers

Javara (Jakarta), founded in 2008

Problem addressed: Indonesia has one of the most diverse culinary in the world but under-developed communities of people working in the agricultural sector. Livelihoods of Indonesian farmers are very poor as they have limited access to markets, and are not trained to do organic farming or produce high value products. The farmers eventually end up with low income due to low value product

Solution: Work together with local indigenous farmers, food artisans and biodiversity warriors to revive and sustain the existence of Indonesian culinary heritage. Create added-value products based on such food ingredients, build local capacity to create quality community-based artisan food products

Impact/SDG targeted: 1, 2, 8, 12. Impacted around 50'000 farmers and food processors

Nazava (Bandung), founded in 2009

Problem addressed: Lack of access of clean drinking water in many rural areas in Indonesia

Solution: Distributors of safe and affordable drinking water to be sold everywhere. The filters turn well, tap, rain and river water into water that is safe to drink without the need of boiling or using electricity, making the water three to nine times more economic then boiling or buying water. Distribution through NGO/corporates and a distribution network

Impact/SDG targeted: 1, 3, 6, 12, 13 (improve health, increase household savings, reduce u2 emissions, increase available time for mothers)

Burgreens (Jakarta), founded in 2013

Problem addressed: Lack of affordable, organic healthy food and lifestyle in general in Indonesian urban cities; underprivileged local farmers don't have full access to the value add along the supply chain

Solution: Plant-based eatery, fast-food inspired and catering business consistently educating local market about healthy and sustainable living, source local organic farmers at a premium price

Impact/SDG targeted: 2, 3, 5. Direct sourcing from farmers, working mostly with organic products, commitment to empower underprivileged women through fair employment, trainings, and career progression within the company

Aliet Green (Yogyakarta), founded in 2009

Problem addressed: uncontrolled urbanization caused by poor farmers in rural areas moving to big cities; education; poor rural access road in many areas in Yogyakarta

Solution: Food processor and distributors of organic, natural mostly coconut based products. Selling as both wholesale and retail

Traction/stage: USD 100k average monthly revenues in the past 12 months. Improve livelihoods of the poor farmers in Yogyakarta's rural areas, trying to recruit as many young farmers as possible so that they would not migrate into the cities; improve pre-school facilities; improve rural access road; implement basic environmental projects

Impact/SDG targeted: 1, 2, 3, 8

Du'Anyam (Jakarta), founded in 2014

Problem addressed: Poor income has led to poor maternity health for many rural Indonesian women, especially in the East Nusa Tenggara (NTT)

Solution: improve maternal and newborn health by reducing risks associated with heavy agricultural labor during pregnancy and increasing financial access to health services and proper nutrition. This is achieved by leveraging an existing skill, wicker weaving and building relationship between weaving community and consumers for the production and sale of handmade wicker products

Impact/SDG targeted: 1, 3, 5

RuangGuru (Jakarta), founded in 2014

Problem addressed: Indonesia still ranks low in terms of quality of education. Indonesian students are still placed in the bottom rank on the International Student Assessment (PISA) which looks at subjects such as math, reading, and science. This is the result of teacher qualifications and the quality of education. Indonesia reports one of the lowest teacher salaries of all those countries reporting in the UNESCO World Education Indicators

Solution: providing an additional source of income through private tutoring revenues, and helping them improve their skills through specialized training and curricula. Facilitating access to quality education and personalized learning from a growing number of vetted teachers and on several different subjects. Allowing students access to online-based exam prep material and optimize their learning by using provided analytic tools

Impact/SDG targeted: 4

Efishery (Bandung), founded in 2013

Problem addressed: Fish feeding traditionally eats up between 50 and 80% of all overhead costs in fish farming business. Overfeeding negatively impacts the environment as a great deal of fish food ultimately goes to waste. It also harms the health of a farmer's stock. On the other hand, underfeeding means fish may not survive. The result of unmeasured and inexact fish feeding methods on a commercial scale means monetary losses for farmers

Solution: eFishery offers an automatic smart feeder that uses sensors to measure the fish's appetite and then dispense food appropriately. Designed for both small and large scale operations, the system can also deliver real-time reports of consumption straight to the farmer's smartphone

Impact/SDG targeted: 14

Limakilo (Jakarta), founded in 2016

Problem addressed: instability in commodity prices in Indonesia, as farmers and consumers face many disadvantages caused by middlemen in the supply chain

Solution: Limakilo app lets potential buyers purchase directly from the farmer and arranges delivery to the customer. It partners with small farmers to shorten food supply chain, connecting farmers directly with consumers, cutting out the middlemen

Impact/SDG targeted: 1, 8, 12

Landmapp, founded in 2014

Problem addressed: A lot of farmers in Indonesia do not have land certification, thus unable to obtain loan from the banks

Solution: provides mobile platform that helps smallholder famers get access to maps and surveys that will help them manage their farms

Impact/SDG targeted: 1, 8

Vasham (Jakarta), founded in 2013

Problem addressed: Disparity between the aggregate food needs of the population in comparison to the actual output or production of food effects the food prices. This is caused by several reasons: at least 18 million smallholder farmers in Indonesia living below the global poverty line, in a 10-year time span the number of farmers in Indonesia decreased by over 25%, only 5% of all investments in Indonesia go toward agriculture

Solution: provides Indonesian smallholder farmers with the financing, expertise, and income security they need to achieve significantly better standards of living

Impact/SDG targeted: 1, 2, 8, 12

Bali Sea Food (US, Sumbawa, Bali), founded in 2013

Problem addressed: Today, Indonesian fishers are incentivized to keep everything they catch. Predatory middlemen will take the full load, paying no market related prices and not discriminating between species or fish maturity. Even after accepting the whole catch, middlemen often delay their payments to fishers

Solution: develops a new incentive-driven model with pay-for-grade system that will exclude immature and brood stock. Middlemen are removed and BSI pays a premium for mature, healthy fish that have been kept on ice and cared for appropriately

Impact/SDG targeted: 14

Igrow (Depok), founded in 2014

Problem addressed: Millions of underemployed skilled farmers and millions of hectares of underused arable land in emerging markets like Indonesia. Meanwhile, the demand for high-quality organic agricultural food gets higher day after day. UN research states that crop yields need to double within 40 years to keep up with world population growth. The FAO said that our food production must increase by 70 percent for an additional 2.3 billion people by 2050

Solution: Provides marketplace that helps underemployed farmers, under-utilized land, and investors to produce high-quality organic food and sustainable incomes with cloud-based agricultural management software. Connects farmers, landowners, investors, and crop buyers to create a complete farming supply chain. Identifies crops with stable demand, prices and growing characteristics. Finds arable land and its farmers. Raises capital for seeds from urban people and we give a 'Farmville'-like experience to investors so they not only can see their investments, but also have the fun of knowing they're growing beautiful, nutritious food

Impact/SDG targeted: 1, 3,12

Indosole (Bali), founded in 2009

Problem addressed: 1 billion tires end up in landfills each year and in tropical countries tires can become breeding grounds for mosquitos, which lead to diseases like malaria and dengue fever. These discarded tires take thousands of years to decompose, and sometimes catch fire, resulting in harmful fumes

Solution: Repurpose indestructible tires into the soles of some of the most durable footwear around.

Impact/SDG targeted: 12, 13

Sehati (Jakarta), founded in 2016

Problem addressed: Expecting mothers often face lack of practical information and guidance about their pregnancy, especially with only approximately and unevenly distributed 3,500 OB/GYN nationwide for around 5,000,000 and counting expecting mothers every year. WHO puts Indonesia at the top 9th of country with highest Low Birth Weight (LBR) where 15% of Indonesian newborns mainly suffer from low nutrition with weight <2.5kg, a rise from 10% in 2014

Solution: mobile application in Bahasa to assist expecting mothers in monitoring their pregnancy through standardized guidance; receive pregnancy tips and book health checkups with hospitals, doctors and healthcare institutions. Subsequently aiming to improve newborns health and nutrition through the pregnancy

Impact/SDG targeted: 3

East Bali Cashews (Bali), founded in 2012

Problem addressed: 80% of Cashews grown in Bali are shipped overseas for further processing, taking away job opportunities from Indonesians

Solution: Cashew processing facility that buys directly from farmers, decreasing carbon footprint and employing women of farming families. Uses over 100 tons of cashew shells per year to fuel steaming and drying machines and produce super fertilizer for cashew and fruit trees

Impact/SDG targeted: 1, 10, 8, and 12

Sirtanio Organik Indonesia (Banyuwangi), founded in 2011

Problem addressed: There is a gap between the demand for organic food and the capability for certified organic suppliers to fulfill it. The gap is caused partly by organic suppliers that are not properly certified

Solution: 103 farmers and 72 hectares of land that produces organically certified rice continuously

Impact/SDG targeted: 1 and 3

Pandawa Putra Indonesia (Banyuwangi), founded in 2012

Problem addressed: Herbicides are basic needs for farmers and plantations, to grow good produce. Despite the need, herbicides are harmful towards the environment and consumer

Solution: Weed Solutions that are environmental friendly, organic and non-toxic (weed solutions)

Impact/SDG targeted: 3 and 12

Wobe (Jakarta), founded in 2015

Problem addressed: As Indonesia is becoming increasingly online, people will want to buy pre-paid goods, shop online and send money to each other. 80% of Indonesians does not have a bank account and without it, cashless transactions are impossible.

Solution: Application that offers innovative payment infrastructure and can support cashless transactions. The application runs on most low-end Android smartphones allowing users to retail various types of pre-paid goods.

Impact/SDG targeted: 1, 8, and 10

Ocean Fresh (Bandung), founded in 2015

Problem addressed: Despite being the largest maritime country in the world, with the most diverse seaweed population, industries in Indonesia still import seaweeds from other countries. The cosmetic industry in Indonesia is also creating a chemical waste problem that affects livelihood of people

Solution: Seaweed based cosmetics that are non-toxic and environmentally friendly, with locally sourced raw materials

Impact/SDG targeted: 3, 12, and 14

Aruna (Bandung), founded in 2015

Problem addressed: Indonesia's has high marine economic value, but a lot of fishermen still do not benefit from this. Some challenges in the fisheries sector include: long supply chain, old technology, financial problem, low education, illegal fishing, high logistic costs, market access barrier and unfair trade. These challenges can be mitigated by reliable data

Solution: Integrated digital application that enables all governments and industries to collect and analyze data in a production site. It enables fishermen and local fishery auctions to track supply data online. The application is also an online trading market where middlemen between fishermen and consumers can be cut

Impact/SDG targeted: 1 and 12

Fish n Blues (Jakarta), founded in 2014

Problem addressed: The fishery ecosystem in Indonesia is exposed to overfishing and exploitation, explosives, toxic chemicals, etc. Fishermen also live even harder lives, as it was getting harder to catch fish as fish stocks declined

Solution: Eco-friendly seafood retailer and supplier, sourced in a sustainable and eco-friendly manner to preserve fisheries stocks and ecosystems. Seafood is sourced from small-scale fishermen, effectively cutting out middlemen

Impact/SDG targeted: 1, 12 and 14

Moshi2 Spesialis Sampah (Gowa), founded in 2015

Problem addressed: Frustrations caused by garbage overflow in households, non-transparent payment to waste management services, and irregular garbage collection schedule

Solution: Waste management service with regular garbage collection schedule, ease of payments and responsive customer care services

Impact/SDG targeted: 15

APPENDIX IX: Social Enterprises and Their Impact Metrics

Company	Stage	Impact Metrics
Vasham	Growth	Increasing income for farmer, farmer's satisfaction
Du'Anyam	Seed	Number of women working with wicker, increasing income from weaving, diet diversification of the women's family
Aliet Green	Growth	Increasing number of young farmers
KitaBisa	Seed	Number of Donation collected, number of campaign funded
Burgreens	Seed	Number of farmers, number of underprivileged women employed, number of women represented in the team, percentage of COGS goes to farmers and food artisans, number of people educated about healthy lifestyle and environmental impact
Krakakoa	Seed	Number of farmers impacted
Wangsa Jelita	Seed	Farmer supplier income increase, number of organization that becomes beneficiaries, etc.
Nazava	Growth	Sales of filters (1 filter can affect 5 people)
E-Fishery	Growth	Farmer's gross margin, feeding inefficiency
Landmapp	Growth	Land documents sold to smallholders
AgriSocio	Seed/	Society's participation, income of farmers and households, number of women and youth involved
Heystartic	Seed	Number of target audience, additional income for employees, number of people trained in workshops, number of partners in garbage disposal, number of bags produced, amount of garbage collected
Gringgo	Pre-Seed	Number of waste generated, number of waste wasted, number of waste processed, percentage of increasing income for waste collector
Kopi Kebumen	Seed	Number of increasing revenue of coffee farmers
Terapi Autis Cakra Apps	Seed	Number of people with autism who have 80% recovered, number off app users

APPENDIX X: Definition of the Enablers Active in Indonesia

Type	Description	Example
Accelerator	Accelerators programs usually have a set timeframe in which individual social enterprise companies spend anywhere from a few weeks to a few months working with a group of mentors to build out their business and avoid problems along the way. An average time frame of three (3) to four (4) months. Enterprises are taught on how to adapt quickly with intense mentorship sessions. ⁴⁹	Google Launchpad Accelerator ⁵⁰ Village Capital Kinara Accelerator UnLtd Indonesia
Incubator	Startup incubators begin with companies that may be earlier in the process and they do not operate on a set schedule. If an accelerator is a greenhouse for young plants to get the optimal conditions to grow, an incubator matches quality seeds with the best soil for sprouting and growth. The nurturing process takes longer, about 1-5 years, with minimal and tactical mentorship. ⁵¹	Inotek
Communities	Groups of individuals involved in the social enterprise ecosystem that share ideas, best practices, success stories, networks, etc.	Jakarta Social Entrepreneur ⁵²
Conference	Brings people from the social enterprise ecosystem together to discuss about topics regarding social enterprises.	ASEAN social enterprise Sankalp Asia
Competition	Award social enterprises can gain exposure from both the public and impact investors and may be rewarded by monetary (grants) and non-monetary means (mentorship)	Danone Young Social Entrepreneur ⁵³ DBS NUS Social Innovation award CCC/NUS
Corporate Pro Bono	Professional services delivered at little to no cost to enterprises or organizations that creates social change.	BCG Consulting Giving Back Project ⁵⁴ PwC probono consulting
Workshop	Short trainings that help build the practical skills of a social entrepreneur like; building business structure, legal and tax structures, business marketing, etc.	Workshop for Social Enterprise by British Council ⁵⁵

⁴⁹ <https://e27.co/entrepreneurs-choose-incubators-accelerators-20140715/>

⁵⁰ <https://developers.google.com/startups/accelerator/asia/>

⁵¹ <https://e27.co/entrepreneurs-choose-incubators-accelerators-20140715/>

⁵² <https://www.meetup.com/Impact-Network-ID/>

⁵³ <http://www.dancommunity.com/dyse/>

⁵⁴ http://socialimpact.bcg.co.id/giving_back/default.aspx

⁵⁵ <https://www.britishcouncil.id/en/events/workshop-social-enterprise-uk-expert>

APPENDIX XI: Enablers Evolution Since 2010

Year	Number	Types of Enablers
2010	1	Corporate Pro-bono
2011	1	Corporate Pro-bono
2012	2	Competition, Corporate Pro--bono
2013	4	Workshop, Competition, Accelerator, Incubator
2014	9	Workshop, Incubation, Competition, Corporate Pro-bono
2015	15	Workshop, Competition, Incubator, Accelerator, Conference, Corporate Pro-Bono
2016	62	Workshop, Competition, Incubator, Accelerator, Conference, Online Platform, Corporate Pro-Bono

APPENDIX XII: Enablers Active in Indonesia as of 2016⁵⁶

Type	Number	Examples
Workshops	15	Startup Weekend Jakarta Creative Social Enterprise Catalyst Capacity building Talk show Sociopreneurship (e.g. Kick AndyShow)
Conferences	13	ASEAN Conference on Social Entrepreneurship Project Showcase Sankalp Asia Forum
Corporate Pro-Bono	10	The BCG Giving Back program PwC probono (e.g. mission conducted with Javara) SAP Unilever
Competitions	10	Danone Young Social Entrepreneur Danamon Social Entrepreneur Awards Datsun Rising Challenge 2: Socialpreneur
Incubators and Accelerator	8	UnLtd Indonesia Kinara Villagecapital Impact Accelerator Google Launchpad Accelerator
Communities	4	Impact Hub Candidate Jakarta Social Entrepreneur
Online Platform	2	PLUS (Platform Usaha Sosial) AVPN Deal share platform

⁵⁶ Source ANGIN research

