

Terms of reference



Empowered lives.
Resilient nations.

GENERAL INFORMATION

Title: International Consultant for Indonesia's SDG Bond Feasibility Study

Project Name: Innovative Financing Lab (IFL)/Indonesia's Sustainable Development Goals Bond Feasibility Study

Reports to: Technical Advisor for Development Finance, UNDP; Deputy Director for Government Debt Market Development and Deepening, Government Debt Securities Directorate, Directorate General of Budget Financing and Risk Management, Ministry of Finance of the Republic of Indonesia

Duty Station: Home-Based

Expected Places of Travel: N/A

Duration of Assignment: 14 working days within 2 months (September – October 2020)

REQUIRED DOCUMENT FROM HIRING UNIT

<input checked="" type="checkbox"/>	TERMS OF REFERENCE
8	CONFIRMATION OF CATEGORY OF LOCAL CONSULTANT, please select: (1) Junior Consultant (2) Support Consultant (3) Support Specialist (4) Senior Specialist (5) Expert/ Advisor CATEGORY OF INTERNATIONAL CONSULTANT, please select: (6) Junior Specialist (7) Specialist (8) Senior Specialist
<input checked="" type="checkbox"/>	APPROVED e-requisition

REQUIRED DOCUMENTATION FROM CONSULTANT

<input checked="" type="checkbox"/>	P11 or CV with three referees
<input checked="" type="checkbox"/>	Copy of education certificate
<input checked="" type="checkbox"/>	Completed financial proposal
<input checked="" type="checkbox"/>	Completed technical proposal

Need for presence of IC consultant in office:

☒ partial As the international consultants is based overseas, travelling will not be possible due to the COVID-19 situation.

☐ full time/office based (needs justification from the Requesting Unit)

Provision of Support Services:

Office space: ☐ Yes ☒ No

Equipment (laptop etc): ☐ Yes ☒ No

Secretarial Services ☐ Yes ☒ No

If yes has been checked, indicate here who will be responsible for providing the support services: n/a

I. BACKGROUND

In 2015, 150 world leaders assembled to form the United Nation's Sustainable Development Goals, a collaborative action plan to address inequalities in global prosperity and wellbeing by 2030. These interconnected 17 Sustainable Development Goals (SDGs) represent the international community's commitment to end extreme poverty, fight inequality and injustice, and mitigate the impact of climate change.



Figure 1. Sustainable Development Goals (SDGs)

With only ten years left to achieve the Sustainable Development Goals, world leaders at the SDG Summit in September 2019 called for a decade of action and delivery for sustainable development, and pledged to mobilize financing, enhance national implementation and strengthen institutions to achieve the Goals by the target date of 2030, leaving no one behind¹.

As financing will serve as a key driver of progress, the SDGs provide investment community with a well-structured framework for tackling long-term global challenges. With estimation of the funding required to meet the SDGs identified at USD 3-5 trillion per annum, the UN's 2019 progress update stated that private investment flows are often out of sync with sustainable development, and that international cooperation is required to ensure that countries have the means to achieve the goals.

One of the most promising financing instruments to answer the above challenges are bonds – as it is deemed as the largest asset class in the global financial market. With USD 6.7 trillion of annual issuance, bonds can provide a cheap, reliable and scalable source of capital for stakeholders. Over the last few years, green bonds in particular, emerged at a rapid rate due to their ability to strengthen investors' assessment of risk and return as well as how they allow the investment community to take part in creating positive environmental impacts, which may be found attractive. In 2019, the credit rating agency, Moody's, estimated that the total global green bond issuance would reach USD 250 billion- a marked increase compared to the equivalent of USD 167 billion

issued in the previous year (2018), which would make 2019 the third consecutive year with total issuance greater than USD 100 billion. Similar to trends seen in the green bond market, social and sustainability bond markets were also growing and maturing, and it was expected that issuance from these segments would become more diversified in terms of sector and region.

Looking at this potential, also reinforced by the fact that investors and market have been increasingly embracing a holistic approach to sustainability and deeply embedding the SDGs in their investment framework. In May 2019, the World Bank launched EUR 163 million (USD 172 million) index linked bond that directly linked returns to the performance of companies advancing the global development priorities set out in SDGs. In September 2019, the world also welcomed the issuance of the first ever general-purpose SDG-linked bond amounting to USD 1.5 billion released by Enel², which was almost three times oversubscribed – signaling the strong demand for SDG-related, and overall sustainable and responsible investments.

Given the introduction of these new financial instruments over the recent years and the existing potentials, the Government of Indonesia, through the Directorate General of Budget Financing and Risk Management (DJPPR), Ministry of Finance, is looking at the opportunities to issue sovereign SDG Bond, potentially in the second semester of 2021. Reflecting on the issuance of Green Sukuk in 2018 and 2019, which have encouraged more green bonds issuance by domestic entities, the issuance of SDG Bond will provide greater signal to the market and showcase the pioneering role of the Government of Indonesia in leveraging untapped financial resources and innovative financing for sustainable development.

Moreover, with regard to the global COVID-19 outbreak, the Government and Parliament of Indonesia have agreed on a deficit policy in the 2020 budget, i.e. an allocation of IDR 405 trillion for health care, social safety nets, and economic recovery programs, coupled with civil emergency measures, on top of the IDR 69,7 trillion bonds issued to cover state budget financing, as the national responses to the pandemic. SDG Bond issuance, therefore, may be seen as potential in this case to fulfill the gap and to support Indonesia's economic recovery (as it is estimated by the IMF that Indonesia's economic growth would plunge to 0.5 percent this year. At the same time, up to 3.78 million Indonesians would fall into poverty and 5.2 million lose their jobs during the coronavirus pandemic as estimated by the government³). Globally, several measures have also been taken in response to COVID-19. A 2019 study by researchers at the Bank for International Settlements (BIS) has shown that green bonds can be treated as eligible central bank reserve asset⁴, meanwhile The European Central Bank (ECB) also recently announced plans to buy up to EUR 750 billion in government and corporate bonds as part of the Coronavirus stimulus⁵. These steps are important as bond purchases will very likely form a key component of economic stimulus packages. Therefore, the emergence of SDG-linked bonds is needed and may help further cement stakeholder's active role in post-pandemic recovery strategy.

UNDP has shown its commitment to support Indonesia in achieving SDGs since 2014 – it has a successful track record as a convener of the UN development system and in working with governments to bring together the skills and ideas of different stakeholders. One of them is through the establishment of the Innovative Financing Lab, which seeks to leverage various financial resources, e.g. Islamic finance, impact investing, and green finance for the SDGs. The Lab operates as a collaborative space for various stakeholders, e.g. Government, the private sector, investors, etc. to engage and develop solutions for financing the SDGs. The Lab has a longstanding partnership with Ministry of Finance, including supporting the development of climate budget tagging and the issuance of world's first sovereign Green Sukuk in 2018 and Green Sukuk Retail for domestic market in 2019. Going forward, UNDP will extend its support by providing technical assistance, capacity

building, and advisory in developing sustainable finance instruments (such as SDG Bond) that have measurable impacts to meet the financing needs in achieving SDGs.

II. SCOPE OF WORK, ACTIVITIES, AND DELIVERABLES

Scope of Work

The scope of the study are as follows:

- A list and brief synopsis of key literatures (e.g. books) on the topic of SDG Bond, which may cover:
 - Methods & mechanisms of SDG Bond issuance;
 - Methods & mechanisms of SDG Bond's underlying assets selection;
 - Opportunities & challenges.
- SDG Bond examples (product descriptions & case studies) from around the world - which may include successful stories and/or barriers encountered;
- Analysis and recommendation on SDG Bond Issuance;
- Other relevant topic(s) agreed by both parties- subject to further discussion between the consultant and UNDP Indonesia. These could include:
 - Recommendations for development of SDG bond frameworks
 - Recommendations for non-asset-based issuances
 - Recommendations for managing and tracking use of proceeds given the broad base of SDG finance
 - Recommendations for SDG impact reporting

Since there has not been any Sovereign SDG Bond issued globally, in order to provide comprehensive analysis, the study will be delivered as a team by two different consultants (national and international-based, at which they will co-write the final report).

- The **national consultant** will be responsible to analyze the national context of SDG Bond issuance (re: identify national policies and regulations aligned with SDGs, the underlying assets, i.e. government projects that might be linked to SDGs and its impact, institutional framework, national stakeholders engagement required within the issuance and reporting process);
- The **international consultant** will be responsible to provide expert analysis in SDG Bond issuance and global investment market dynamics, investor analysis, SDG bond principles, standards and taxonomy as well as best practices.

A series of online meetings will be conducted with the Ministry of Finance and UNDP Indonesia for both consultants to share and discuss the study findings. Consultants are then expected to make necessary revisions and produce the final report and recommendations.

Expected Outputs and deliverables

Deliverables/ Outputs	Number of Working Days	Completion deadline
1. Inception (workplan, timeline, proposed methodology, initial assessment) and Draft report (based on the agreed outline between UNDP & both consultants)	7 days	Week 3 of September
2. Final Report and Recommendation – based on the inputs from UNDP & Ministry of Finance	7 days	Week 2 of October

III. WORKING ARRANGEMENTS

Institutional Arrangement

- The consultant will have close supervision and coordination with the Government Debt Securities Directorate (Directorate General of Budget Financing and Risk Management) – Ministry of Finance and the Innovative Financing Lab – Green Finance team;
- The consultant will be in close coordination with the selected national consultant to conduct a final joint-report of SDG Bond Feasibility Study;
- The consultant' draft reports will be reviewed by Government Debt Securities Directorate and UNDP;
- The consultant will report to the Government Debt Securities Directorate (Directorate General of Budget Financing and Risk Management) – Ministry of Finance and the Innovative Financing Lab – Green Finance team;
- The payment will be made to the consultant at each payment schedule, upon technical clearance and approval of the satisfactory submission of results from Technical Advisor for Development Finance, Innovative Financing Lab of UNDP. Estimated lead time for UNDP or Project Implementing Partners to review outputs, give comments, certify approval/acceptance of outputs is 2 weeks.

Duration of the Work

The consultant is expected to work 14 days within 2 months. Final report expects full completion not later than 30 October 2020.

Duty Station

The consultant is expected to work home-based.

Travel Plan

There will not be any travelling required for this project.

IV. REQUIREMENTS FOR EXPERIENCE AND QUALIFICATIONS

Academic Qualifications:

PhD in economic, finance, management, or environment, social development, public policy (preferably in sustainable development).

Years of experience:

- Minimum 8 years experiences in developing and conducting study related to SDG-related initiatives, green and/or sustainable bonds issuance, public finance;
- Substantive experience in working with regulators in Asian countries, having established relationship/ engagement with Indonesian Ministries is highly desirable);
- Demonstrated knowledge of the international/national green and sustainable bonds market, framework, issuance modalities and procedures, including requirements and guidelines

III. Competencies and special skills requirement:

- Analytical skills, communications abilities, teamwork.
- Strong motivation & ability to work & deliver under short deadlines.
- Focuses on impact & result for the client & responds positively to critical feedback.
- Able to work independently with little or no supervision.
- Strong understanding of Indonesia's governmental framework, including SDG and Green Bond-related policy and other related regulations in Indonesia.

V. EVALUATION METHOD AND CRITERIA

Individual consultants will be evaluated based on the following methodologies:

Cumulative analysis

When using this weighted scoring method, the award of the contract should be made to the individual consultant whose offer has been evaluated and determined as:

- a) responsive/compliant/acceptable, and
- b) Having received the highest score out of a pre-determined set of weighted technical and financial criteria specific to the solicitation.

* Technical Criteria weight; 70%

* Financial Criteria weight; 30%

Only candidates obtaining a minimum of 70 point would be considered for the Financial Evaluation

Criteria	Weight	Maximum Point
<u>Technical</u>		100
Criteria A: qualification requirements as per TOR:		
1. PhD in economic, finance, management, or environment, social development, public policy (preferably in sustainable development);	15	
2. Minimum 8 years experiences in developing and conducting study related to SDG-related initiatives, green and/or sustainable bonds issuance, public finance;	20	
3. Substantive experience in working with regulators in Asian countries, having established relationship/engagement with Indonesian Ministries is highly desirable);	15	
4. Demonstrated knowledge of the international/national green and sustainable bonds market, framework, issuance modalities and procedures, including requirements and guidelines	20	
Criteria B: Quality of Proposal		
1. Understanding the scope of work, and objectives of the assignment	10	
2. Approach and methodology proposed - comprehensiveness & fitness against requirements	10	
3. Quality of proposed implementation plan, i.e. how the bidder will undertake each task, and time-schedules	10	