

SUSTAINABLE BLUE FINANCE INSTITUTION: PRACTICAL FRAMEWORK & GOVERNANCE OF STAKEHOLDERS INVOLVEMENT

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Abstract

Two-thirds of the Earth's surface is covered by oceans, which are incredibly valuable to billions of people on a social, economic, and cultural level. Indonesia is a country that is 70% covered by the ocean and has more than 17,000 islands, making it one of the countries with huge potential for economic and natural resources in the world, particularly in the Blue Economy sector. To develop the Blue Economy sector, it is important to have Blue Finance, including financing and governance. There are national frameworks of Blue Finance developed by the Indonesia Climate Change Trust Fund (2021) and international frameworks and governance developed by Shibaa et al. (2021). This research employs a qualitative research method with a phenomenological approach. The phenomenological analysis used is Interpretative Phenomenology Analysis (IPA) based on post-positivist phenomenology. The main research question is how to create a practical framework and governance for Sustainable Blue Finance Institutions in Indonesia. Data was gathered through various interviews, participant observation, and direct participation of researchers in various activities. The new framework, called the Sustainable Blue Finance Institution, is based on the framework published by the Indonesia Climate Change Trust Fund (2021) and Shibaa et al. (2021). It consists of four groups of stakeholders: The Advisory Committee, Core Management, Funding Providers, and Implementing Partners. The Advisory Committee consists of institutions that have a direct role in Blue Finance, such as the Ministry of PPN/Bappenas, the Ministry of Finance, the Coordinating Ministry for Maritime and Investments Affairs, the Ministry of Marine and Fisheries, the Ministry of Environment and Forestry, the Financial Services Authority, and donors. The Core Management consists of a collaboration of the Indonesia Environmental Fund, the Indonesia Climate Change Trust Fund, and the Public Service Agency Fisheries Business Capital Management Institute. The Stakeholder Funding Provider Institution consists of two types of resources: from the Government of Indonesia (GOI) and from non-GOI sources. The Implementing Partner institutions could be cooperatives, private institutions, MSMEs, NGO or individuals. In practical terms, this research serves as a literature reference or guideline for GOI institutions or other stakeholder collaborations in order to unlock the potential of the Blue Economy in Indonesia. For academics, the framework elaboration process remains open for further exploration.

Keywords: Blue Economy, Blue Finance, SDG 14, Sustainable Blue Finance Institution

1. INTRODUCTION

Two-thirds of the surface of the earth is covered by the ocean, which is extremely valuable to billions of people on a social, economic, and cultural level. The ocean aspect all aspect related with Blue Economy. The World Bank defines a Blue Economy as a sustainable marine economy that generates economic and social benefits by ensuring long-term environmental sustainability (World Bank, 2017). Developing a Blue Economy requires governance based on science and data, coordination across maritime sectors such as fisheries, tourism, and transportation, as well as the participation of various stakeholders in decision making.

Investments in skills and infrastructure are needed to add value to marine resources, and these investments and policies require more efficient use of existing funding streams (World Bank, 2021). Blue Economy transactions have an average size of \$96 million (vs. \$58.6 million for the entire market) but can vary in size; 50% are over \$100 million and 31% are under \$25 million. Blue Economy transactions have the potential to mobilize large amounts of funds; however, one challenge is ensuring that project developers and MSMEs, who are the direct beneficiaries of most Blue Economy transactions (both 63%), are not overwhelmed by the amount of financing disbursed (Convergence Blending Global Finance, 2022). This is consistent with Sumaila et al., (2021) belief that adequate marine funding governance (Blue Finance) is required to build a sustainable Blue Economy and is directed to the sustainable use of ocean governance and its resources. Sumaila et al., (2021) argue at the academic level that establishing sustainable ocean governance (Blue Economy) and mitigating activities that harm ocean health necessitate large financial investments. Adequate finance for marine ecosystem management and protection via Blue Finance, which plays an important role in supporting a sustainable marine economy. This is because blue financing deals with the demand for and supply of financial capital to invest in sea-related economic and governance activities (Sumaila et al., 2021).

Shibaa et al., (2021) explain that the development of Blue Finance is very important because it supports and promotes global transformations that occur towards economic growth in line with ocean sustainability. Ocean conservation and the sustainable use of marine resources have seen a noticeable evolution and diversification in funding mechanisms. The United Nations Ocean Conference endorsed the Blue Economy concept in 2017 to promote economic activity related to sustainable oceans such as fisheries, tourism, aquaculture, sea transportation, renewable energy, and marine biotechnology development. Blue Finance refers to financial instruments or investments that ensure the conservation of the marine environment and related resources, as well as the enhancement of the Blue Economy, to establish appropriate financial mechanisms to ensure a consistent input of financial resources while attracting new investment. The advancement of Blue Finance is regarded as critical in assisting and driving global transformation toward economic growth that is compatible with ocean sustainability. The international legal framework does not yet include an official definition of the Blue Economy. This, of course, has an impact on seed planting and poses a threat to Indonesia's implementation of the Blue Economy. This also has an immediate impact on the mechanism for implementing the intended Blue Economy financing. Indonesia has over 17,500 islands and 108,000 kilometres of coastline. As the world's largest archipelago state, Indonesia's oceans cover more than two-thirds of its territory and are essential to the country's well-being, cultural richness, and prosperity. With one of the highest levels of marine biodiversity in the world (The World Bank, 2021) The country's oceans contribute to food security, livelihoods, climate regulation and sequestration, and economic prosperity through sectors such as fisheries and aquaculture, coastal tourism, marine construction, and transportation (The World Bank, 2021). The World Bank (2021) conclude Blue Economy encompasses several activities, there are Fisheries, Maritime Transportation, Renewable Energy, Tourism, Climate Change and Waste Management. In May, 2021 at National Discussion of Country Planning, The President of

Indonesia, Mr Joko Widodo stated that the Blue Economy has enormous potential and has become one of the country's development priorities at this time as part of carrying out the mandate of Law No.32/2014, whereby governance and institutions are one of the important elements in supporting the development of a Blue Economy paradigm. This is consistent with the viewpoint of Sumaila et al., (2021), who argue that when developing marine finance governance, attention must be paid to the sustainable use of marine resources. Law Number 32 of 2014 (UU No. 32/2014) dealing Maritime Affairs and Law Number 45 of 2009 (UU No. 45/2009) concerned Fisheries are the two laws that govern marine and fishing activities in Indonesia. According to UU No. 45/2009 Article 2, fisheries management explicitly applies the idea of sustainable development and is carried out in a planned way to be able to increase the prosperity and welfare of the community both now and in the future by giving the preservation of environmental functions a higher priority. This is also consistent with the goals of maritime activities as outlined in Law No. 32/2014, which underlines that in order to fully utilize marine resources for the prosperity of the current generation, it is also necessary to take into account the needs of future generations (Wanta & Gunawan, 2021). In article 4 paragraph 2, point b it is also written that governance and institutions are one of the elements in supporting Indonesian maritime affairs.

In fact, even though Indonesia's maritime economic potential is estimated to be enormous, the reported marine sector contributes less than 30% of total national GDP. When compared to the potential of Indonesia's Blue Economy, this figure remains relatively low (Conway, 2018; Indonesia.go.id, 2018). In comparison, Japan, South Korea, and China's maritime sectors contribute up to 48.5% of total GDP, while Vietnam's marine sector contributes 57.63% of total national GDP, and several European countries contribute nearly 60% of GDP (indonesia.go.id, 2018). In contrast, it is estimated that 38% of national sea capture fisheries are overfished (excessive fishing) in 2017 and 44% of other capture fisheries are fully fished (at the maximum catch target limit) (Conway & Sihombing, 2016; Conway, 2018). The Marine Protected Area (MPA), which is supposed to be a source of fishery supplies, is not conducive to increasing production capacity soon (Conway, 2018). This affects loan repayments, export earnings, government revenues, and the well-being of coastal communities (World Bank, 2021). The poor health of wild caught fish stocks, as well as the tendency to harvest marine resources beyond capacity, indicate that expanding the marine sector with a business-as-usual scenario (i.e. relying solely on increasing production) is high risk and unsustainable (Conway & Sihombing, 2016; Conway, 2018; Sumaila et al., 2021).

Since 2019, Ministry of PPN/Bappenas with support from International NGO was developing a governance of blue financing to develop Blue Economy in Indonesia through Blended Finance scheme namely Marine and Fisheries Financing Initiative (ICCTF, 2019). Currently, this initiative is continuing to evolve become namely Sustainable Blue Financing Initiative (ICCTF, 2020) with support from The World Bank. In 2021, In the Annual Report Indonesia Climate Change Trust Fund (ICCTF-Bappenas) publish a framework of Sustainable Blue Financing Initiative. Unfortunately, this framework is general without any explanation how the governance work. This research is trying to create the framework with research question how is practical framework and governance of Sustainable Blue Finance Institution in

Indonesia. This research employs a qualitative research method with a phenomenological approach. The phenomenological analysis used is Interpretative Phenomenology Analysis (IPA) based on post-positivist phenomenology data was gathered through various interviews, participant observation, and direct participation of researchers in various activities. The framework developed based on framework that published by Indonesia Climate Change Trust Fund (2021) and Shibaa et al., (2021). The main scope of the research financing area in public financing with regard marine and activities in Indonesia.

2. LITERATURE REVIEW

Blue Economy and Blue Finance

The term Blue Economy first appeared in 2012 at the United Nations Conference on Sustainable Development (UNCSD), or the Rio+20 Conference, however, its roots lie in the previous 1992 Rio Earth Summit (United Nation, 1987). A concept paper by the United Nations (UN) published in 2014, defines a Blue Economy as an ocean-based economy that aims to enhance human well-being and social justice, while significantly reducing environmental risk and ecological scarcity (UNCTAD, 2014). The World Bank (2015) defines the Blue Economy as the sustainable use of marine resources for economic growth, increased livelihoods and jobs while maintaining the health of marine ecosystems. The World Wildlife Fund (WWF) (2015) defines a Blue Economy as an ocean-based economy that:

- 1) Contribute to food security, poverty eradication, livelihoods, incomes, jobs, health, safety, equality, and political stability for current and future generations.
- 2) Restore, protect, and sustain the diversity, productivity, resilience, core functions, and intrinsic value of marine ecosystems and the natural capital that supports them.
- 3) Rely on clean technologies, renewable energy, and circular material flows to ensure long-term economic and social stability while remaining within the boundaries of one planet (WWF Baltic Ecoregion Program, 2015).

Indonesia Law No. 32/2014, determine the Blue Economy is an approach to improve sustainable marine management and conservation of marine and coastal resources and their ecosystems in order to realize economic growth, with principles such as community involvement, resource efficiency, minimizing waste, and multiple added value (multiple revenue) (Wanta & Gunawan, 2021). Financial instruments or investments that guarantee the preservation of the ocean environment, related resources, and support the Blue Economy are referred to as Blue Finance. The funding methods used to promote ocean conservation and the sustainable use of marine resources have clearly evolved and diversified (Shiiba et al., 2021). Blue Finance refers to all forms of debt, including covered bonds, securitization, and private placement, as well as all sources, types, and models of capital (Ocean Finance Handbook, 2020).

Blue Finance Mechanism Conceptual Framework

Shiiba et al., (2021) propose a rule-based approach to ensuring consistent financial resources to support Blue Finance initiatives. This paper proposes establishing a legal mandate on ocean

governance under international law and domestic legislation to establish appropriate financial mechanisms that apply financial principles designed to boost the Blue Economy. Shiiba et al., (2021) looked at the important role played by stakeholders in developing sustainable blue financing. Stakeholder theory states that each of these groups is important to business success and determining where their interests overlap is a managerial and entrepreneurial task (Freeman et al., 2020). This serves as the foundation for a long-term Blue Finance governance development scheme that includes stakeholders from the marine and fisheries sectors, each with their own perspectives that will be managed collaboratively toward a common goal.

Managing stakeholder relationships, on the other hand, does not imply that all stakeholders should be treated equally (Phillips et al., 2003). Instead, top management is tasked with determining which stakeholders are actually involved in specific business activities (Hörisch et al., 2014). This relates to another key component of stakeholder theory, which fosters common interests among various stakeholders rather than focusing on trade-offs. According to stakeholder theory, this shared interest seeks to generate value for all stakeholders (Freeman et al., 2010). The proposed framework (Shibaa et al., 2021) of international Blue Economy financing mechanism based on several actors or stakeholders, namely: 1) Country of implementation (Issuer State). 2) Non-Governmental Organizations (NGOs), Non-Profit Organizations (NPOs), and International Government Organizations (IGOs). 3) Global funds and development banks. 4) Industry and the private sector Collaboration between the private sector and industry. 5) The public sector and private investors. The details of Blue Finance mechanism's conceptual framework as picture no.1.

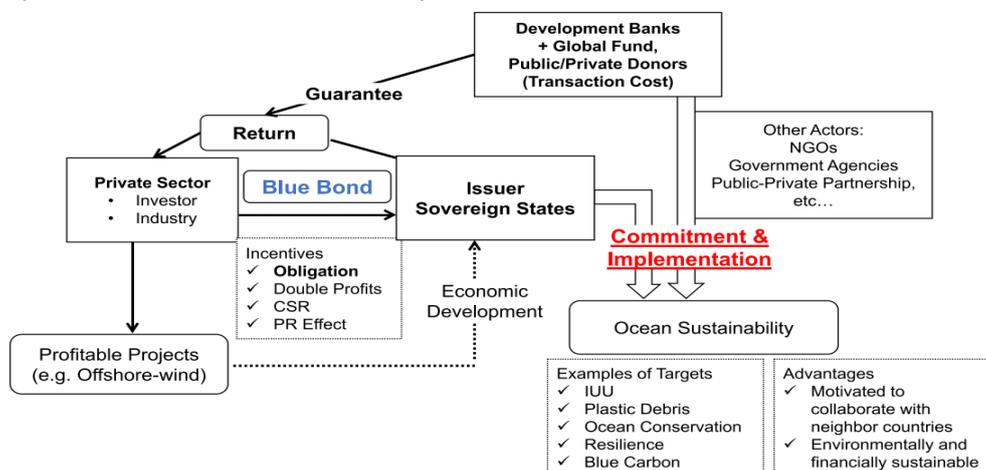


Figure 1: Blue Finance Mechanism Conceptual Framework

Source: Shiiba et al., (2021)

Sustainable Blue Financing Initiative (SBFI)

Indonesia Climate Change Trust Fund (ICCTF) is a Government Trust Fund institution under the Ministry of PPN/Bappenas since 2015. The ICCTF is intended for financing strategic and innovative programs and activities for reducing greenhouse gas emissions and enhancing

community. In 2018, ICCTF has had a marine-based window aimed at promoting the sustainable use of natural resources in coastal and marine areas, including coral reefs and blue carbon ecosystems. In addition to focusing on conservation activities, since 2019 ICCTF has also played a role in developing funding initiatives in the marine and fisheries sector, which still has few players despite the significant funding needs and gaps. Due to ICCTF under Bappenas, it has a strategic role in producing or promoting innovative programs. In June 2021, during the Indonesia Ocean Development Partner (IODP) event hosted by the World Bank, ICCTF was announce developed the blue financing scheme as figure 2. The Executive Director of ICCTF presented the financing support scheme in order to develop and fill the financing gap in the marine and fisheries sector, known as the Sustainable Blue Financing Initiative (SBFI). Bappenas, through ICCTF, is attempting to develop this initiative by applying the Blended Finance approach to fill the financing gap in the marine and fisheries sector (Annual Report ICCTF, 2021). ICCTF explain the SBFI consists of four group there are:

- 1) The Blue Finance Steering Committee. The highest level of coordination not only for the blended finance scheme, but also for all Sustainable Blue Financing Initiative in Indonesia.
- 2) The Blended Finance Management with the main role of managing funds including receipt, rolling, endowment and fund disbursement.
- 3) The Blended sources of fund include public funds, development assistance from bilateral and multilateral partners, as well as private sector investments as providers of combined funds in the form of loans, grants, and other types of funding.
- 4) Implementing Partners with the main role of disbursing funds for marine tourism, sustainable fisheries, or the seafood supply chain.

Unfortunately, there was no details or guidance regarding how the mechanism is work.

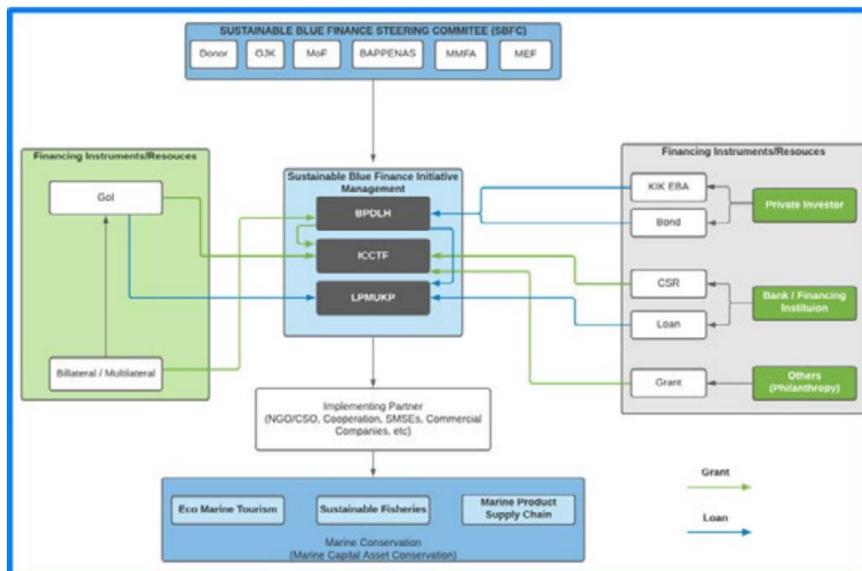


Figure 2: Sustainable Blue Financing Initiative

Sources: Annual Report ICCTF, (2021)

3. RESEARCH METHODOLOGY

Research Method

This research applies a qualitative method. The researcher's role is to obtain a holistic (systemic, comprehensive, and integrated) picture of the context under study, including its social context, how it operates, and various explicit and implicit regulations (M. B. Miles, et al., 2014). The goal of a qualitative strategy is to comprehend the meanings conveyed by respondents to the phenomenon under investigation (Bandur, 2019). This approach was chosen with the goal of better understanding the phenomenon of sustainable blue funding schemes as experienced by informants. Post-positivism phenomenology, also known as Interpretive Phenomenology Analysis (IPA), is the type of phenomenological analysis used (Packer and Addison, 1989). Finlay and Ballinger (2006) describe IPA as a phenomenological variant that aims to explore individual perceptions and experiences. Using an idiographic approach, the focus is on individual cognitive, linguistic, affective, and physical abilities, which is consistent with the author's involvement in this research activity as personnel who has been directly involved in ICCTF since 2019.

Data Resource

Through interviews, Focus Group Discussions (FGD), desk study, or nonverbal representative material such as pictures and charts, data is collected to determine the essence of the phenomenon under study. To obtain reliable data, the author also serves as a research instrument and participates directly in the field to understand the governance of sustainable blue funding from the source via interviews, recording, recording, and documenting each research process (Bandur, 2019; Creswell & Creswell, 2017; M. B. Miles et al., 2014). The data that will be studied will be mostly in the form of words from conversations, narratives, and a little bit of numbers. Data in the form of words from conversations will be obtained through interviews or focus group discussions with informants, whereas narrative data and figures (statistics) will be obtained through literature reviews and previous research. The extremely rich data analysis is then reviewed one by one and in as much of its original form as possible. The collected data will then be analysed deductively. At the governance synthesis stage, the data obtained from the previous stages was synthesized to develop the SBFI scheme from the conceptual realm to the operational realm. The researcher then performed a validity test on the data quality.

Data Informant

The primary informant population and supporting informant population were identified in this study. The following is a definition of each population:

- 1) Individuals who serve as technical determinants of SBFI implementation comprise the primary informant population. five people were derived from the definition of this population. Purposive sampling was used to obtain informants who met certain criteria, such as understanding the concepts of Blue Economy, Blue Finance, public funding

management, and institutional leadership in the SBFI scheme. This sampling method yielded 5 informants.

- 2) The population of supporting informants consists of experts or practitioners with knowledge of funding governance. Because it is unknown how many populations exist based on the definition of this population, sampling from this population was done on purpose, followed by snowball sampling to obtain as much variation as possible. Sampling was started with the intention of obtaining informants who would act as gatekeepers, allowing the authors to gain access to other informants who met certain criteria, such as being suspected of understanding the concept of sustainable financing, blue bonds/sukuk, and allegedly understanding financial governance in the marine and fisheries sector. There are 21 addition respondents after interview with primary respondent.

The details configuration of level and institution background of informant reveals in table 1.

Table 1: Respondent Mapping of Institution and Level of Management

Institution/ Level	Executive Director/ Deputy Level	Director	Senior Manager	Manager	Staff Senior	Senior Consultant	Senior Lecturer	Total
Steering Committee	1	5	-	2	2	-	-	10
Core Management SBFI	1	2	1	1	-	-	-	5
Sources of Fund	-	-	2	4	-	2	-	8
Implementing Partners	2	-	-	-	-	-	1	3
Total	4	7	3	7	2	2	1	26

Sources: field study

Considering the Blue Economy and Finance has not yet developed in the private sector in Indonesia, the majority of respondents are from government institutions.

Data Analysis

Primary data is information obtained from interviews or focus groups that is explained narratively in the research. Secondary data from literature studies is processed by organizing the data with a predetermined framework and editing or re-examining the data obtained, particularly in terms of completeness, clarity of meaning, and coherence of meaning between the one and the other. The following processes were used to analyses primary and secondary data in a reductive phenomenological manner: data reduction, categorization, and synthesis. To reveal the essence of the SBFI phenomenon, the reduction process was carried out in two stages, namely by bracketing or epoch and by eidetic reduction.

To be able to produce sustainable blue financing governance that is in accordance with the conditions and readiness of Indonesia's funding system, only phenomena closely related to the Blue Economy and blue funding are studied further; the rest are suspended or excluded from the analysis. Furthermore, phenomena that pass the first reduction stage will be chosen again to see if they are truly fundamentally related to sustainable blue finance governance.

4. ANALYSIS & DISCUSSION

GoI National Document on Blue Finance

As of 2022, Indonesia has the following five strategic documents on Blue Economy and Blue Finance (Wanta, D., Khomsiyah. & Gunawan, 2023) as follows:

1. Republic of Indonesia SDGs Government Securities Framework (Republic Indonesia Ministry of Finance, 2022). This securities framework was created in collaboration MoF, The Ministry PPN/Bappenas, CMMIA with support from UNDP. This document, starting middle of 2022 become officially by GoI as framework to Issue securities replace Republic of Indonesia Green Bond/Sukuk securities Framework.
2. Blue Economy Development Framework for Indonesia's Economic Transformation. This Document launched by Ministry PPN/Bappenas in 2021 with collaboration with OECD. The framework is intended to improve policy formulation and implementation of the Blue Economy in Indonesia.
3. Blue Financing Strategic Document. This document published by CMMIA this publication in 2022 with assistance from the UNDP and the Archipelagic & Island States Forum. The Blue Finance Strategic Document aims to unlock the economic potential of marine-based economic activities by identifying suitable financial instruments for public and private investment.
4. Indonesia Blue Finance Policy Note. This document was launched in 2022 by Bappenas with support from the World Bank. The document provides detailed guidance and recommendations for the Indonesian government in developing long-term Blue Finance policies. This document highlights the significant potential of Indonesia's Blue Economy sectors like fisheries, tourism, and marine energy. This book also makes policy recommendations to help the development of Blue Finance, such as strengthening regulations and policies to reduce environmental and social risks, improving transparency and accountability in the use of funds, and building institutional capacity and human resources to help the development of Blue Finance in Indonesia.
5. Blue Finance Instrument Development Guideline. The Blue Finance Instruments Development Guideline is a publication by Bappenas in 2022. This guideline aims to provide guidance and direction for the development of financial instruments to support Indonesia's long-term blue economic development. The guideline includes information on the different types of financial instruments that can be used to support blue economic development, such as traditional financial instruments and innovative financial instruments like blue bonds/sukuk. The guideline also includes case studies from other countries on how financial instruments can be used to support the Blue Economy sector.

Stakeholder Involvement Marine & Fisheries

The field study reveals, there are stakeholder involve directly with financing marine and fisheries (Blue Finance) in term of policy, activities and fund channeling in national level as follow:

- a) Government Institution: Ministry of PPN/Bappenas, Ministry of Finance (MoF), Coordinating Ministry for Maritime and Investments Affairs (CMMIA), Ministry of Marine and Fisheries (MMF), Ministry Environmental and Forestry (MEF), Financial Services Authority (OJK).
- b) National Under Ministry Funding Institution: Indonesia Environmental Fund (IEF) or called Badan Pengelola Dana Lingkungan Hidup (BPDLH), Indonesia Climate Change Trust Fund (ICCTF) and Public Service Agency Fisheries Business Capital Management Institute (LPMUKP).
- c) Indonesia State Owner Enterprise (SOE): PT Bank BNI (BNI), PT. Sarana Mitra Infrastruktur (PT. SMI) provide funding for infrastructure, PT. Permodalan Nasional Madani (PT.PNM) for micro finance for fisheries.
- d) International and National Institution non-Government: The World Bank, ADB, UNDP, RARE, Conservation International, WWF, Kehati. YKAN, ANOVA.
- e) Private institution listed on stock market: PT Era Mandiri Cemerlang Tbk (IKAN), PT Morenzo Abadi Perkasa Tbk (ENZO), PT Prima Cakrawala Abadi Tbk (PCAR), PT Central Proteinaprima Tbk (CPRO), PT Into Agri Resources Tbk (IIKP), PT Dharma Samudera Fishing Industries Tbk (DSFI).

Institution Group of Blue Finance Sustainability Institutions.

This chapter will elaborate group of stakeholders from SBFI version ICCTF 2021 based on data from field study. The new stakeholders namely Sustainable Blue Finance Institutions. (SBFIs)

1. The Advisory Committee

The Advisory Committee is the organizational group with the highest level of decision-making authority at SBFIs, and its primary role are to: align SBFIs direction in achieving SDGs 14; provide strategic directions; and direct SBFIs overall vision. The Advisor Committee is organized into 2 (two) main organs: The Steering Committee and The Technical Committee (figure 3). Members of the Steering Committee are Echelon 1 or equivalent from the Ministry, Donors, other Agencies, or strategic partners in the marine and fisheries fields. In detail, the Steering Committee primary responsibility are to provide policy direction, considerations, suggestions, and opinions to Technical Committee in the implementation of innovative funding development cooperation activities to support the achievement of SDGs 14 and Blue Economy.

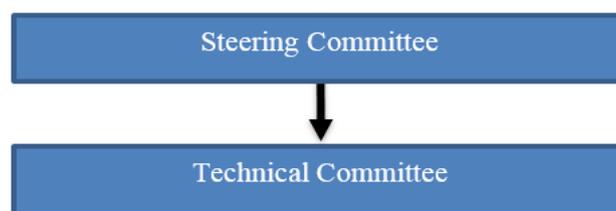


Figure 3: General Structure of the Advisory Committee

Source: Blue Finance Instrument Guideline, 2022

Members of the Steering Committee at least consist of: Representatives of Donor Agencies or Development Partners, MoF, Bappenas, MMAF, CMMAI, MEF, OJK. Bappenas will lead the Steering Committee as Coordinator with the goal of streamlining Sustainable Blue Financing as part of the national and SDG planning. The following describes each institution's role in the institutional steering committee.



Figure 4: Member of Steering Committee

Source: Developed by Author, 2023

The roles of the institution in the Steering Committee elaborate at table 2. Members of the Steering Committee at least consist of: Bappenas, MoF, MMAF, CMMAI, MEF, OJK, Representatives of Donor Agencies or Development Partners. Bappenas will lead the Steering Committee as Coordinator with the goal of streamlining Sustainable Blue Financing as part of the national and SDGs planning. The following describes each institution's role in the institutional steering committee

Table 2: SBFIs and Their Function

Institution	Function
Ministry of PPN/ Bappenas	<p>Policy coordination and formulation in the areas of development planning, national development strategies, sectoral, cross-sectoral, and cross-regional policy directions, national and regional macroeconomic frameworks, facility and infrastructure design, regulatory frameworks, institutions, and funding, as well as monitoring, evaluating, and controlling the implementation of national development in the field of Sustainable Blue Financing.</p> <p>Coordinator of funding research for domestic and international financing sources, as well as the allocation of funds.</p> <p>Coordinate strategic activities in dealing with urgent and large-scale problems in accordance with the tasks that have been assigned</p>
Ministry of Finance	<p>Develop, stipulate, and implement policies to support SBFI in the areas of budgeting, taxation, customs and excise, treasury, asset management, financial balancing, budget financing, and risk management.</p> <p>Manage State funding/Property which is the Ministry of Finance's responsibility in order to support sustainable blue financing with regards GoI institution.</p> <p>Organizing state finance education, training, and competency certification</p> <p>Provide significant assistance to all organizational elements within the Ministry of Finance.</p>

Institution	Function
Other ministries/ agencies	1. Develop, determine, and carry out internal and regional policies
Donor	Provide funding to support SBFIs activities or projects. Provide advice to Technical Committee regarding developing the institution.

Source: Developed by Author, 2023

2. Core Management

The core Management Institution, also known as the SBFIs Core Management, is in charge of managing funds, including receipts, turnover, and distribution. From the perspective of public sector institutions, the Core Management consists of IEF, LPMUKP, and ICCTF, which are at the core of the implementation of Blue Economy financing. Core Management also serves as fund manager by receiving revolving funds, endowments, and grants and distributing them to implementing partners.

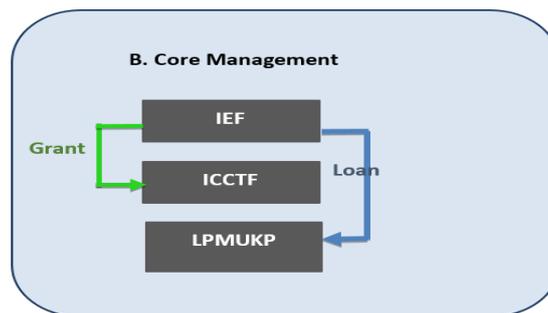


Figure 5: SBFIs Core Management

Source: Developed by Author, 2023

Core Management is an organ within SBFIs that acts as a fund manager, receiving revolving funds, waqf (sharia fund), and channelling to Implementing Partners based agreement, which will involve 3 (three) institutions in its implementation: IEF, ICCTF, and LPMUKP. With its mandate and authority, IEF transforms into a fund manager or treasurer who can receive and manage funds from funding sources (Government and Non-Government). According to the donor's agreement (if any), these funds will be forwarded to the ICCTF or LPMUKP. The ICCTF serves as an institution that distributes grants to Implementing Partners in order to reduce financing risk, as well as an enabler institution to develop programs related to innovation schemes in the marine and fisheries sectors. LPMUKP will channelling fund to implementing partner in terms of loan type.

Table 3: The Roles of Core Management

Institution	Role
IEF (BPDH)	Receiving funds from Donors, Development Partners, Private Investors, or other institutions for channeling grant funding to the ICCTF and LPMUKP if related to revolving, endowment, and loans. IEF will appoint a bank to act as trustee and carry out financial transactions as directed by the BPDH's Main Director. IEF together with ICCTF & LPMUKP will develop a Fundraising Strategy that will include both private and international sources of funds in order to ensure the long-term viability and availability of funding and to increase the capital for these funds.
ICCTF	Functioning as an SBFIs accelerator Because the ICCTF is part of the Bappenas structure, it will serve as a catalyst for the development of programs related to innovation schemes in the marine and fisheries sectors. Assisting in the distribution of grants from the Innovation Fund.
LPMUKP	Responsible for managing revolving funds and loans aimed at helping MSMEs in the marine and fisheries sector.

Source: Developed by Author, 2023

3. Funding Provider

Fund Source Provider, also known as SBFI Fund Sources, are stakeholders with the ability to provide funds to Core Management in the form of grants, loans, or other means. IEF, as a trustee organization, can act as a treasury when it receives funds to be forwarded to the ICCTF or LPMUKP in accordance with its mandate. SBFIs funding sources can range from the government to the non-government (private, bilateral, and multilateral funds are managed) through store or distribution. In general, IEF will accommodate the initial funds received from Non-Government Parties to be forwarded to the ICCTF, LPMUKP, or other parties in accordance with the Fund Owner's agreement. Furthermore, ICCTF and LPMUKP will distribute these funds to the Activity Implementing Partners in accordance with the institution's authority, with ICCTF providing grants and LPMUKP providing revolving funds. It is divided into 2 (two) types based on the source of funds, namely funds originating from the Government of Indonesia and funds originating from sources other than the Government of Indonesia (Non-Government), with an explanation for each.

a) Indonesian Government

Sources of funds through the Government of Indonesia can come from Taxes and Non-Tax Income.

b) Non-Government (Private)

Sources of Non-Government Sector Funding can come from the private sector, bilateral and multilateral whose funds are managed either stored or distributed. The financial instrument enables to work together in SBFIs such as Asset Backed Securities, Bond,

CSR, Loan or Grant. This instrument will be managed by core management to support sustainable blue financing.

Funding requests and refunds from Government Funding Sources Institutions refer to the State Budget rules for IEF, LPMUKP, and ICCTF, as well as internal provisions or procedures. IEF and LPMUKP will refer to agreement documents such as Work Agreement Letters for Returns with Non-Government Parties. Given that the ICCTF is a government agency operating under the Bappenas as working unit, where it is not permitted to receive refunds, cooperation with private parties must adhere to the provisions of Bappenas as well as the ICCTF's internal policies.

Implementing Partner Institutions

Implementing Partner Institutions, also known as Implementing Partners, have the primary responsibility of channelling funds from core management or using funds in the framework of eco-maritime or sustainable fishery or marine product supply chains. Cooperatives, private companies, individuals, NGOs/CSOs, community organizations, and others can be institutional implementation partners. Provision of funds to Implementing Partners in accordance with the funder's agreed-upon mechanism. Furthermore, as the Fund Manager, IEF has the authority to conduct audits of fund recipients in collaboration with the ICCTF and LPMUKP.

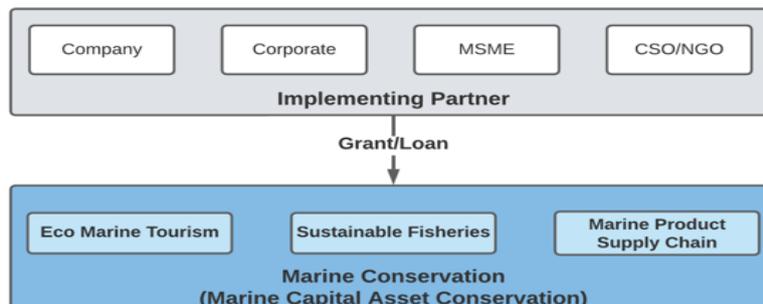


Figure 6: Implementing Partner Division

Source: Developed by Author, 2021

Implementing Partner Institutions are organizations that receive funds from Core Management. Individuals or legal entities can act as funding institutions. In the first step, IEF will sign an agreement with the Implementing Partner based on the type of Implementing Partner by involving other Core Management Institutions based on their role on behalf of SBFI. In terms of grant funding, grants will be channelled to the ICCTF in accordance with each institution's mandate, while loan funds will be channelled through LPMUKP. The standard of sustainable blue financing is one of the standards for providing funds to achieve the Blue Economy goals.

Table 4: Institutions and Its Function

Institution	Role & Function
Cooperatives	Channeling and Manage the funds channeled by IEF and LPMUKP for marine conservation implementation and development Implement programs to improve the quality of activities and/or services that have a positive impact on the surrounding community's economic, social, cultural, and participation, as well as the preservation of marine and fishery resources and their environment.
Corporate	Marine conservation or sustainable supply chain implementation or development Earn money through grants or loans for the implementation and development of marine conservation. As a result, the blue sector's circular economy will continue to thrive.
CSO/NGO (Community Services Organization/Non-Government Organization)	Improving financial and non-financial capacity for institutions, communities, or individuals as part of credit risk mitigation. Promote SBFI by becoming a facilitator of social and political integration and contributing to the integration of groups and individuals into society.
MSMEs (Micro, Small and Medium Enterprises)	MSMEs can use business loans to fund a variety of economic projects related to the maritime and maritime sectors. Carry out operational tasks that support the health and safety of the environment.

Source: Developed by Author, 2023

Conceptual Framework & Governance of SBFI

Shiiba et al., (2021) wrote the general (international) Blue Finance mechanism in response to this matter. Bappenas, through the ICCTF, has developed a finance governance scheme (see figure 1) for the Sustainable Blue Financing Initiative (SBFI) in 2021. Even so, Shiiba et al., (2021) stated that blue funding mechanism is still very general and conceptual in nature, requiring a practical examination of the country's physical and structural conditions. On the other hand, the SBFI governance scheme is unable to provide a comprehensive explanation of the types of collaboration that can be carried out by related institutions, particularly in the implementation management sector (which is filled by IEF, ICCTF & LPMUKP).

There are stakeholders who fall into the category Development Bank + Global Fund, Public/Private Donor (Transaction Cost) in the framework proposed by Shiiba et al., (2021), which can be represented by collaboration from 3 (three) blue sector finance institutions in Indonesia, namely IEF, ICCTF, and LPMUKP. As a result, the Blue Finance Governance Conceptual Framework can be described as follows in its implementation in Indonesia as figure 7 called Sustainable Blue Finance Institution Conceptual Framework and Governance.

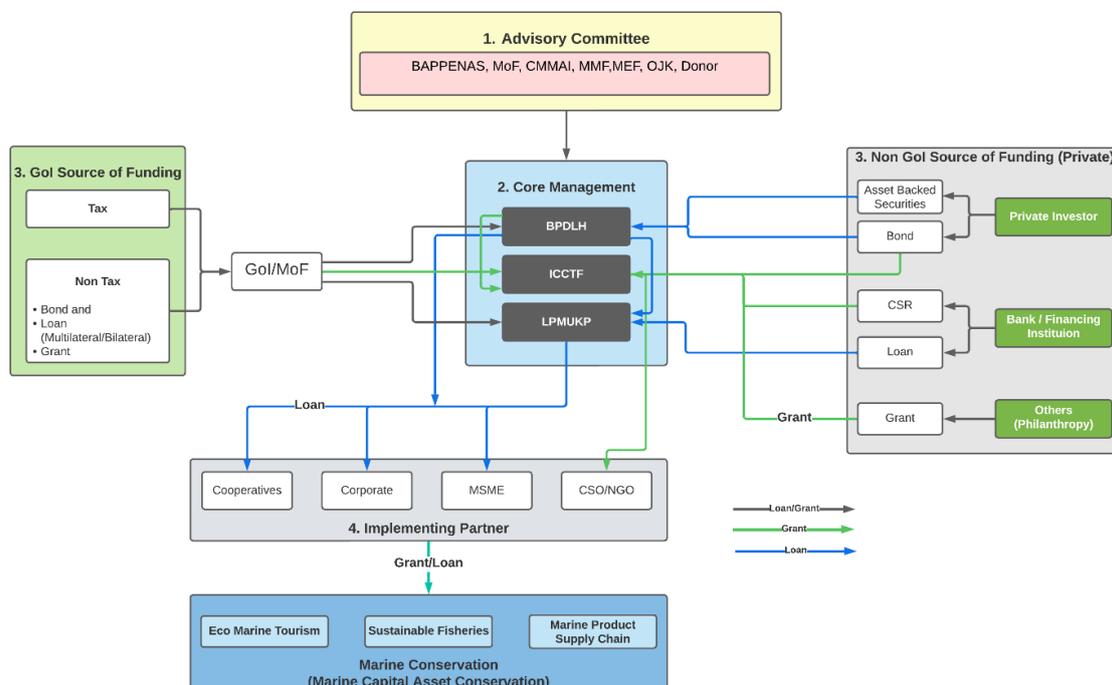


Figure 7: Sustainable Blue Finance Institution Conceptual Framework & Governance

Source: Developed by Author, 2023

5. CONCLUSION AND RECOMMENDATIONS

Conclusion

Blue Finance generally involves alternative funding strategies such as co-financing involving the public sector, philanthropy, or blended finance schemes, as the investment needs of a sustainable marine economy are appealing to potential investors. Previous writings, such as Shiiba et al., (2021) have provided an overview of the governance framework in implementing blue financing; however, this theoretical framework is still general in nature, and its implementation in Indonesia is still constrained. Aside from that, the practical governance framework developed by ICCTF in 2021 still does not provide a clear picture of the roles and functions of executors in the management process. Large funding and good governance are required to build or develop the Blue Economy. In the Indonesian context, there are already several stakeholders (institutions) that have the potential to develop the Blue Economy in Indonesia through Blue Finance, particularly the IEF, ICCTF, and LPMUKP institutions, which have direct experience in developing an environment-based economy, either land resources (green economy) or sea resources (Blue Economy). Nonetheless, there is no strategic governance management in place to manage the funds required for this development. Previous research on blue funding governance was still limited to broad and global theoretical understandings that did not support Indonesia's structural and institutional conditions. This

research proposes as a practical framework and governance for sustainable blue financing in Indonesia with consists of four stakeholder group namely Sustainable Blue Finance Institution. These institutions group in to four group, they are: Advisory Committee, Core Management, Fund Provider Institution, and Implementing Partner.

This research as a reference and guide for the institutions on the Advisory Committee in terms of their direction and position as an institution forming the strategy for implementing Blue Economy development or achieving SDG 14. This research will serve as a resource for Implementing Partners, particularly in locating funding sources. The role of the Implementing Partner in managing funds obtained for marine conservation and management must, of course, be supported by a thorough understanding of their position in the Blue Economy financing scheme. This research will discuss the implications of renewable and sustainable investment land for funding institutions, both public and private investors. This writing can also serve as a reference for the creation of a blue taxonomy.

Recommendation

Considering the findings of the interviews and discussions with respondents, as well as the author's limitations, make the following recommendations for future research:

- 1) Private sector blue funding governance research, such as the Indonesian Blue Taxonomy, Private Blue Bonds, and others, must be developed so that private stakeholders can participate in the development of the Indonesian blue sector.
- 2) Research on the governance of public funds other than bonds, such as Debt for Nature Swaps, should be developed as an alternative funding source to protect Indonesia's natural wealth.

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