W I N G S
ELEVATING PHILANTHROPY

TIER 3
Partner

Impact Investing: The **Indonesia** Impact Alliance

Why this case matters

Indonesia shows how governments can support the development of impact investing, including blended finance approaches[1], by enabling coordination across actors rather than introducing a single policy instrument. Through the Indonesia Impact Alliance (IIA), a multi-stakeholder platform, the Government and partners worked to address early-stage financing gaps, reduce coordination failures and build the institutional foundations for an impact investment ecosystem.

This case is particularly relevant for countries where philanthropic and private capital exist but are not yet effectively mobilised for development outcomes due to fragmentation, risk perceptions and limited market infrastructure.

Indonesia's story of change

The IIA, launched in May 2023, is a multi-stakeholder initiative bringing together government, philanthropy, development partners, investors and other ecosystem actors to strengthen the country's impact investing landscape.

Prior to its launch, Indonesia faced a persistent "missing middle" financing gap. Early-stage impact enterprises – particularly those seeking investments in the range of USD 100,000 to USD 1 million – struggled to access capital due to high perceived risk, limited blended finance mechanisms and weak coordination between actors.

Relevant EE Guide recommendations

This case illustrates the following recommendation in practice:

- **Rec. 12:** Promote multi-stakeholder partnerships for national priorities

Policy lever

Multi-stakeholder platform for impact investing, ecosystem coordination, and blended finance development.

1 Impact investing refers to investments made with the intention of generating positive, measurable social and environmental impact alongside a financial return. Blended finance is the strategic use of development or philanthropic capital to mobilise additional commercial finance toward sustainable development. The two are related but distinct. Blended finance is one mechanism through which impact investment is mobilised, particularly in higher-risk or early-stage segments, but not all impact investing involves blended structures and not all blended finance pursues measurable impact.

Rather than addressing this through a single financial instrument, IIA focused on ecosystem building: convening stakeholders, generating market knowledge, supporting matchmaking and exploring blended finance approaches. This reflects a shift from project-level interventions toward system-level coordination aimed at unlocking capital flows over time.

Country snapshot: Indonesia

Country overview	▶ Lower-middle-income country with an open philanthropic environment ▶ Global Philanthropy Environment Index (GPEI) Score (2025): 4.41/5 ▶ Philanthropic ecosystem is maturing
Intervention type	▶ Multi-stakeholder platform to strengthen the impact investing ecosystem, including development of enabling conditions for blended finance
Outcome type	▶ Increased coordination across the impact investing ecosystem ▶ Improved visibility and legitimacy of impact investing in Indonesia ▶ Early mobilisation of actors and capital around impact investment, including blended finance approaches ▶ Stronger institutional anchoring of the ecosystem through global recognition
Key challenges/barriers prior to the intervention	▶ Limited access to capital for early-stage impact enterprises, particularly from private investors, due to high risk perceptions and underdeveloped blended finance mechanisms

Introduction: the background

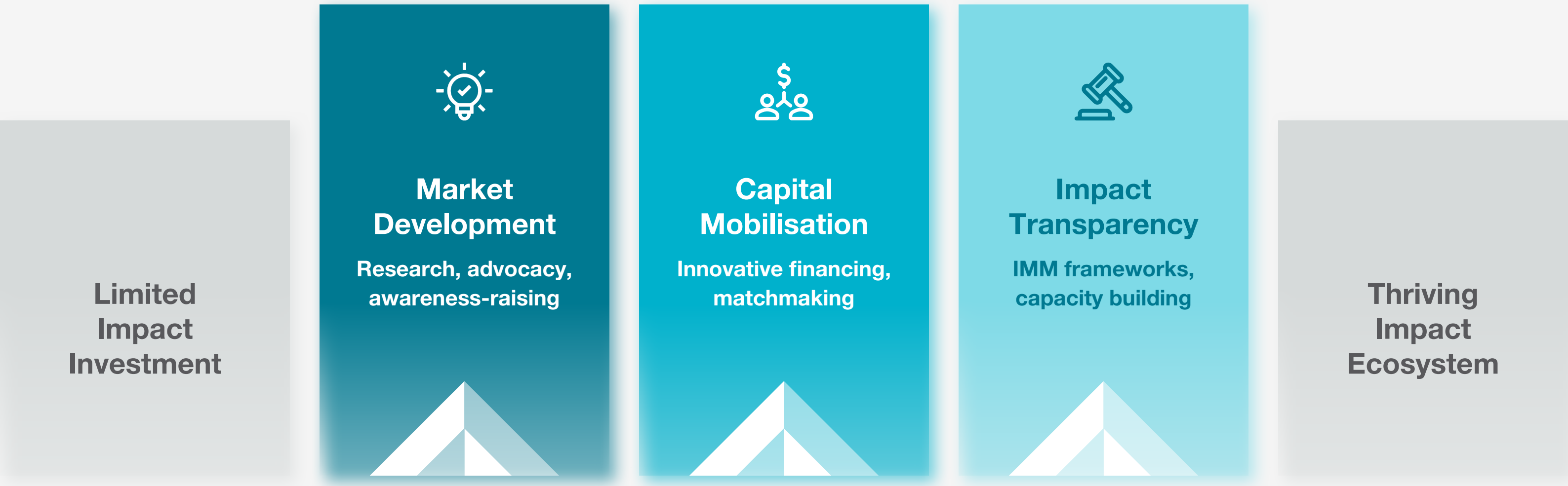
- **Background and rationale:** Impact investing in Indonesia has emerged to address social and environmental challenges that cannot be fully met by public funding and traditional philanthropy alone, including poverty reduction, education gaps, climate adaptation and environmental protection. Interest in this approach has been shaped in part by examples from other countries, such as India, Kenya and South Africa, where structured ecosystems, blended finance models and impact measurement frameworks have helped mobilise private capital for social outcomes.
- **The financing gap:** Despite growing interest, a significant "missing middle" persists. Early-stage and socially oriented enterprises are often perceived as high risk due to limited track records, smaller scale and weak standardisation of impact measurement. This makes it difficult to attract private investment without risk-mitigation mechanisms such as blended finance. Regional data suggests that only around 3% of impact capital in Asia reaches early-stage enterprises. At the same time, blended finance structures – where public or philanthropic capital absorbs risk to attract private co-investment toward projects or sectors that generate social, environmental or development impact – remain underdeveloped in Indonesia. This combination of investor risk aversion and limited financing mechanisms constrains capital flows to enterprises critical for addressing development challenges.
- **Launch of the Indonesia Impact Alliance:** In response, the Indonesia Impact Alliance (IIA) was launched on 10 May 2023 in Jakarta as a multi-stakeholder platform bringing together investors, policymakers, development partners and ecosystem actors. Supported by the National Development Planning Ministry (Bappenas), UNDP Indonesia and the Ford Foundation, the initiative aims to address structural gaps in early-stage impact financing and unlock capital for social and environmental impact.
- **Approach and early significance:** The Alliance draws on international frameworks, including guidance from the Global Impact Investing Network (GIIN) and other regional platforms, to coordinate actors, establish standards and build a locally adapted ecosystem. While early signals show increased coordination and momentum, the model remains at an enabling stage, with outcomes reflected more in ecosystem development than in direct, measurable impact on enterprises or social results.

Intervention: the what

Since its launch, the IIA has pursued a theory of change centred on three pillars: market development, capital mobilisation and impact transparency. Through research and publications, ecosystem mapping, policy dialogue, blended finance exploration, investor-enterprise matchmaking and technical assistance, the IIA has focused on strengthening the enabling conditions for impact investing in Indonesia and mobilising greater flows of capital toward social and environmental outcomes.

Catalysing Impact Investment in Indonesia

IIA's Three Pillars



Philanthropic support has played a catalytic role in this model. By funding convening, research, advocacy and ecosystem-building activities, philanthropic actors have helped de-risk early-stage efforts, support market development and create the conditions for blended finance approaches and increased private investor participation over time.

Implementation: the how

Implementation focused on ecosystem building rather than a single programme or financing instrument. This made implementation an iterative process centred on coordination, trust building and the gradual development of the institutional and market conditions needed for impact investing to expand. The approach aligns with IIA's three core pillars: market development, capital mobilisation and impact transparency.

Role of key actors

Government actors

- **National Development Planning Ministry** (Bappenas) provided government support and legitimacy, aligning the Alliance with Indonesia's broader sustainable development priorities.
- Senior government officials participated in IIA advisory forums and dialogues, helping align initiatives with national priorities, including the SDGs, climate finance and social enterprise development.
- Government engagement in IIA convenings has supported policy dialogue on impact finance, philanthropic incentives and blended finance structures, signalling openness to strengthening the enabling environment.
- Government backing also contributed to Indonesia's recognition as a National Partner of the Global Steering Group for Impact Investment (GSG Impact) in 2025, with continued participation in high-level convenings such as the Indonesia Climate Financing Roundtable (2025).

Philanthropic Actors

- **Ford Foundation:** Founding supporter and anchor partner, providing seed funding (USD 500,000) and global expertise in impact investing
- **Paloma Sjahrir Foundation:** Local philanthropic actor contributing to advisory efforts and supporting early-stage impact enterprises through partnerships and investor connections.
- **UNDP Indonesia:** Partnered on launch and ecosystem development, providing technical expertise and institutional credibility
- Other international actors, including GSG Impact, GIIN, Franklin Templeton and Temasek Foundation, contributed knowledge, networks and strategic insights.

Private sector actors

- **Romy Cahyadi (CEO, Instellar):** Appointed Chairperson, providing leadership and helping shape the Alliance's early strategic direction, representing private-sector engagement in Indonesia's impact investing ecosystem

Outcomes and early signals of impact

While market-wide impact remains early, the Indonesia Impact Alliance has generated visible institutional and ecosystem-level results, particularly in coordination, legitimacy and positioning within the global impact investing field.

- **Formal institutional recognition:** In 2025, Indonesia was recognised as a National Partner of the Global Steering Group for Impact Investment (GSG Impact), with IIA serving as the Secretariat of the Indonesia National Partner Advisory Board.

This strengthens Indonesia's visibility and credibility within the global impact investing ecosystem and supports deeper collaboration with international and domestic stakeholders.

- **Ecosystem building and actor mobilisation:** The Alliance has engaged more than 150 organisations across government, philanthropy, investors and ecosystem actors, helping to build a more connected and coordinated impact investing landscape.

- **Growing ecosystem knowledge base:** IIA has produced research, hosted workshops and dialogues, and convened stakeholders on issues such as impact transparency, capital-provider needs, legal frameworks and ecosystem validation. These activities indicate increasing traction and shared understanding, even if longer-term effects on capital flows and enterprise outcomes are still emerging.

Caveats for policymakers

The Indonesia Impact Alliance highlights both the potential and the limits of ecosystem building through multi-stakeholder platforms. While it has strengthened coordination, visibility and institutional traction, it also operates within a broader environment that is not yet fully aligned with market-building objectives.

- **Philanthropic behaviour shifts may be gradual:** Domestic philanthropy in Indonesia remains largely oriented toward grants for social services and humanitarian causes, in comparison to market-building approaches such as impact investment and blended finance. As a result, philanthropic actors may have more limited experience with higher-risk, investment-oriented roles required to support early-stage impact enterprises. Expanding engagement in different approaches may require greater ecosystem development, learning and confidence-building around different forms of risk, partnership and catalytic capital.
- **Clarification and operationalisation of innovative financing frameworks:** Indonesia has an initial regulatory framework for innovative financing, which defines philanthropy and recognises philanthropic entities as contributors to the SDGs. However, operational regulations and implementation guidance have not yet been issued following a recent change in government. Greater clarity on how the framework should be applied in practice, including for blended finance, risk-sharing and co-investment arrangements, would help support capital mobilisation.
- **Balancing impact investment and traditional philanthropy:** A stronger focus on impact investing and returns-oriented capital may not always align with core philanthropic functions, such as providing flexible, long-term support for social innovation. Policymakers and philanthropic actors should therefore consider how different forms of capital can play complementary roles, while ensuring that market-based approaches do not unintentionally displace support for non-commercial or structurally underserved issues.

Lessons for policymakers

For governments seeking to strengthen the enabling environment for philanthropy and impact investment, Indonesia's experience highlights several practical lessons.

- **Clarify legal and regulatory frameworks for impact investment and blended finance:** Clear rules and targeted incentives can enable philanthropic and private capital to participate more effectively in impact investment vehicles and blended finance structures that support them. Predictable legal frameworks reduce risk perceptions and help attract a broader pool of investors and foundations.

- **Invest in ecosystem infrastructure:** Governments can play a catalytic role by supporting platforms, coordination mechanisms and dedicated institutional units that sustain dialogue, generate market knowledge and connect public, private and philanthropic actors.
- **Balance impact investment with traditional philanthropy:** While impact investing can mobilise new capital, it should complement – not replace – grant-based philanthropy. Flexible, long-term funding remains essential for social innovation, equity-focused work and areas where market-based approaches are less viable.
- **Strengthen local ownership and access:** Ecosystem-building efforts should ensure that local organisations and grassroots actors are not excluded. Governments can support more direct funding channels, capacity building and inclusive governance structures to ensure broader participation in decision-making and resource allocation.

Final reflections

The Indonesia Impact Alliance illustrates both the potential and the limitations of philanthropy-led market development in emerging impact investing ecosystems. It has played a catalytic role in strengthening Indonesia's early-stage impact investing landscape by improving coordination, generating market knowledge and testing approaches that bridge philanthropic and commercial capital. In doing so, it has helped highlight sectors such as climate and sustainable livelihoods, where enterprises require patient and flexible capital to scale.

At the same time, the case underscores the persistence of structural constraints. Domestic philanthropic participation in market-building remains limited, reflecting a lack of familiarity and understanding of the different giving mechanisms available. Regulatory and tax frameworks are still only partially enabling, reducing incentives for foundations and high-net-worth individuals to deploy capital into impact investment vehicles or participate in blended finance structures. These factors constrain the scale at which philanthropic capital can crowd in private investment and support early-stage enterprises.

For governments, the key takeaway is that ecosystem-building initiatives require supportive policy and regulatory conditions to translate into sustained market growth. Clear frameworks, targeted incentives and early government engagement can help ensure that philanthropic and private capital operate effectively together. Without these enabling conditions, platforms such as IIA can successfully pilot innovation and coordination, but may struggle to achieve systemic scale.

Annex

Timeline of events

Year	Event
Prior to IIA	
Pre-2023	▸ Persistent “missing middle” financing gap for early-stage impact enterprises
Launch of the IIA	
2023	▸ IIA officially launched at a high-profile convening, “Breaking Barriers, Crossing the Chasm” in Jakarta
Implementation of IIA	
2024–2025	▸ Facilitated capacity-building activities, policy dialogues and pilot initiatives ▸ Delivered workshops on impact measurement, investor-enterprise matchmaking and knowledge sharing ▸ Focused on strengthening market capacity, improving impact transparency and supporting capital mobilisation
Early Outcomes	
May 2025	▸ Indonesia recognised as a National Partner of the Global Steering Group for Impact Investment (GSG Impact) ▸ IIA designated as Secretariat for the Indonesia National Partner Advisory Board, strengthening Indonesia’s position within the global impact investing ecosystem

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Consultation

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