Summary of Climate Finance Readiness in Indonesia

- Priority areas on CC Adaptation in country
  - Climate Change Risk Levels in Indonesia by Region (RAN API Document)

<table>
<thead>
<tr>
<th>Risk</th>
<th>Sumatra</th>
<th>Java-Bali</th>
<th>Borneo</th>
<th>Sulawesi</th>
<th>Nusa Tenggara</th>
<th>Moluccas</th>
<th>Papua</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decreased water availability</td>
<td>M, H, VH</td>
<td>H, VH</td>
<td>L, M</td>
<td>H, VH</td>
<td>H, VH</td>
<td>L, M</td>
<td>L</td>
</tr>
<tr>
<td>Flood</td>
<td>H, VH</td>
<td>H, VH</td>
<td>L, M, H</td>
<td>L, M, H</td>
<td>L</td>
<td>L</td>
<td>L, M</td>
</tr>
<tr>
<td>Drought</td>
<td>H, VH</td>
<td>H, VH</td>
<td>L</td>
<td>L, M</td>
<td>L, M, VH</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>Spread of dengue fever</td>
<td>L, M, H</td>
<td>L, M, H</td>
<td>L, M</td>
<td>L, M</td>
<td>L, M</td>
<td>L, M</td>
<td>L, M</td>
</tr>
<tr>
<td>Spread of Malaria</td>
<td>L, M</td>
<td>L, M, H</td>
<td>L, M</td>
<td>L, M</td>
<td>L, M, VH</td>
<td>M, H</td>
<td>M, H</td>
</tr>
<tr>
<td>Decline in rice production</td>
<td>H, VH</td>
<td>H, VH</td>
<td>-</td>
<td>-</td>
<td>H, VH</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Forest fire</td>
<td>VH, H, M</td>
<td>H, M</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: L: Low; M: Medium, H: High; VH: Very High
Summary of Climate Finance Readiness in Indonesia

- Criteria for pilot site selection: completeness of VA, sub-regional commitment, past or ongoing adaptation-related activities, climate change working group, compliance with RAN-API document

- 15 Provinces/Regencies/Cities are selected:
  - Provinces: Bali, West Java, East Java, East Nusa Tenggara, South Sumatra, North Sumatera
  - Regencies: Malang
  - Cities: Semarang, Pekalongan, Blitar, Bandar Lampung, Batu, Malang, Tarakan and Lombok island
Summary of Climate Finance Readiness in Indonesia

- Enabling circumstances in country, political support for Direct Access, etc.
  Government supports the role of every national institution to access and manage climate change funds from international sources, not only government institutions, but also national financial institutions, banks or non-banks, government owned or private and non-private.

- Existing climate change committee or task force to guide CC activities
  In 2008, a National Council on Climate Change Indonesia was established, aiming at coordinating policies and programs on climate change. The Council is the national focal point to UNFCCC, Designated National Authority of GCF, DA of Adaptation Fund and Designated National Authority CDM.
Summary of Climate Finance Readiness in Indonesia

- Background on the selection process of the nominated or potential NIE

  The Executive Chair of NCCC is the Designated Authority of AF.

  To select a NIE 1) ICCC holds a meeting inviting all relevant ministries and other potential entities on the subject, then 2) requests those interested to submit an “expression of interest” as a NIE, 3) Executive Chair sets up an Ad Hoc Team to select the incoming requests based on the criteria set up by AF Board, 4) If an entity passes the Fiduciary standard of AF then DA will propose the entity to AFB as a potential Indonesia NIE.
Are there examples of how public and/or private finance is mobilized in country for climate change or related projects/programmes?

- Projects and/or programmes, timeframe and sizes in USD?
  Carbon-linked Incentive Scheme (CLS), a financial scheme for industries to reduce GHG emission with a support of soft loan and incentive based on GHG emission reduction (performance-based incentive)
  Incentive grant is Euro 5 million, Technical Assistance Grant is Euro 2 million from European Union. Soft Loan amounts Euro 20 million from KfW. DNPI and KfW signs an MOU on the TA. Credit line will managed by a national bank. TA duration lasts for 3 years while the CLS scheme for 10 years.

- Of all funding available by the state and bilateral/multilateral donor, majority is allocated for forest related program as forest is likely become the biggest source of emission.
Lessons learned and way forward

- Lessons learned from the various projects and/or programmes
  - The biggest challenge for Indonesian government institutions to access directly and manage international funds is the strict regulations related to external grant and loan management. The regulations were devised to eliminate misuse of money. However, some of the regulations have become ineffective as they hinder participation of financing institutions outside ministries/government agencies.

- Non government institutions, including private and non-profit, usually have more advanced policies on financial management. However, as climate change is not their main focus of business, these institutions need capacity building in terms of projects/programmes preparation.
Lessons learned and way forward

- **Capacity required to meet AF fiduciary standards**
  A good documentation of policy, systems and regulations is very crucial but could be a big issue because the documents are either incomplete, not updated or unavailable. Most of them in Bahasa Indonesia. It would need time and resources for the organizations taking part in the accreditation process to translate all documentations into English. It is recommended that the AF Accreditation Panel asked for the translation of only selected documents.

- **Way Forward:**
  Need to strengthen the capacity of approved NIE for project preparations and implementation