



FISCAL POLICY AGENCY
MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

NDA
GCF

National Designated Authority
Green Climate Fund
Indonesia

2nd Call for Project Concept Note Report

A Demand-Based Approach in Developing
Indonesia's Climate Change Project Pipeline



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Ministry of Finance

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Acknowledgement:

Global Green Growth Institute, Green Climate Fund

Published by:

Fiscal Policy Agency, Ministry of Finance, Republic of Indonesia
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Center for Climate Change and Multilateral Policy
(2022). 2nd Call for Project Concept Note Report.
Indonesia: NDA GCF Indonesia Secretariate



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Background of the Call for Concept Notes

1.1. Introduction

The Green Climate Fund (GCF) is a financing mechanism of the United Nations Framework Convention on Climate Change (UNFCCC). It is specifically established to provide financial support so that countries like Indonesia can reach its emission reduction targets. As of October 2021, the GCF portfolio has 190 projects worldwide worth USD 37.2 billion with an anticipated equivalence of 2 billion tonnes of CO₂ avoided and increased resilience of 613 million people¹. In response to the pandemic, the GCF explores actions to enable developing countries to access the finance needed to revive their economies and recover from COVID-19 in ways that enhance climate action.

The GCF has shown its commitment to assist developing countries, including Indonesia to mobilize funds for climate projects. Both public and private entities can access the GCF support with the

Government of Indonesia's approval through the Fiscal Policy Agency (FPA), Ministry of Finance (MOF). Accordingly, in line with Indonesia's Nationally Determined Contributions (NDCs) under UNFCCC, FPA-MOF has plans to avail GCF resources to supplement domestic resources for climate change programs in the country.

The FPA-MOF, which serves as the national focal point or National Designated Authority (NDA) between Indonesia and the GCF, executed a Second call for submissions of Project's Concept Note (PCN) for climate related activities as projects or programs, following the success of the First call for submissions of PCN which was conducted from June – October 2019.

This report summarizes the whole process of the Call and its results as a reference for future activities.

1.2. Objectives of the Call

The objectives of this 2nd Call for Project Concept Notes (PCNs) are to: (1) Expand and strengthen Indonesia's GCF pipeline, (2) Provide technical advisory

to further strengthen the PCNs, and (3) Provide matchmaking (if necessary) between the project applicants and the (Direct) Accredited Entities.

1.3. Eligibility for Submission of the Project Concept Notes (PCNs)

Organizational Eligibility

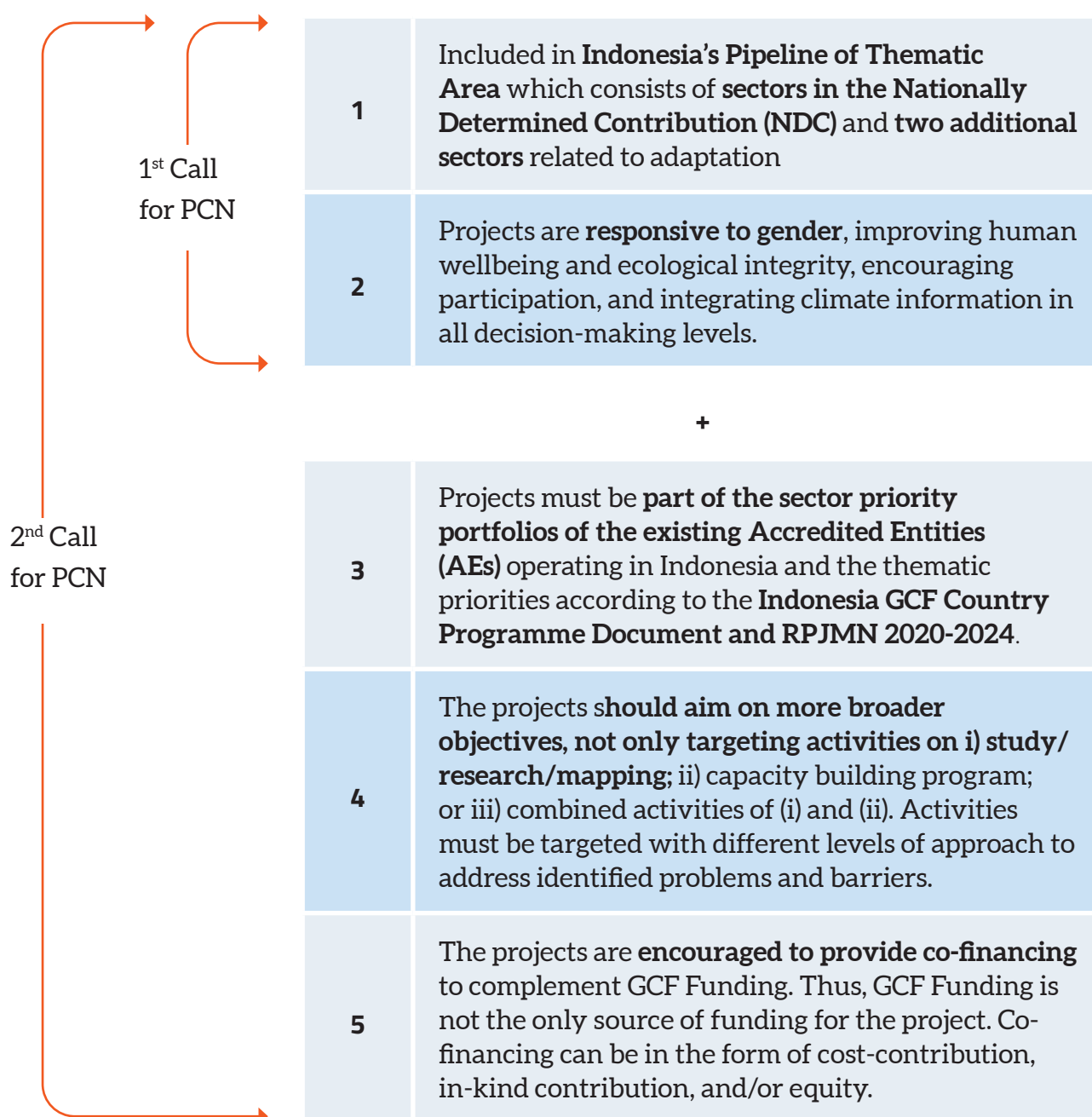
There are several points for organizational eligibility set out as the first filter for concept notes submitted to the NDA. They are:

1. The Applicant or Lead organization must be an entity legally registered in Indonesia and authorized to conduct all activities germane to the purpose of the proposed project. Applicants and/or Lead organization can include government agencies, multinational or national corporations; international and national banks/financial institutions; international and national NGOs, foundations, multilateral institutions; or trade or professional associations.
2. The Applicant and/or Lead organization must demonstrate a proven track record in developing, managing, implementing, and monitoring climate change projects at least a total of 3 (three) years.

Project Eligibility

In the first Call for PCN which was designed as a pilot program, simple requirements for project eligibilities were set so many organizations could apply. Following the first call and the lessons learned extracted, the second Call for PCN outlined more advanced requirements in order to set higher qualifications and further align submissions with the more general GCF projects.

Figure 1 Eligibility Differences between the 1st and 2nd Call for PCN





2

Process of the Call for Concept Notes

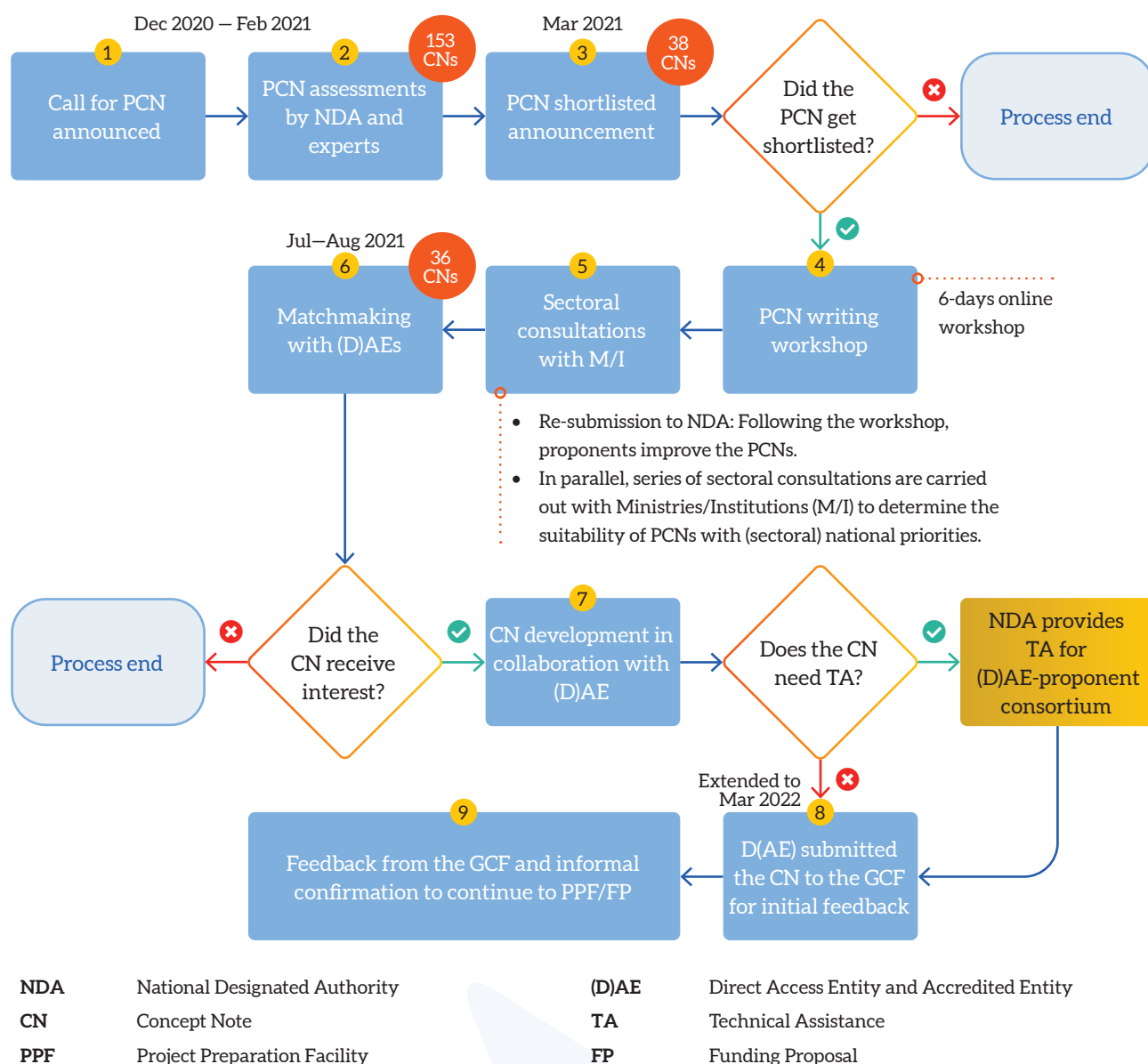
2.1. Summary of Submission Result

Throughout the period of December 2020 – February 2021, the National Designated Authority (NDA) received 172 Project Concept Note (PCN) submissions. 153 of those PCNs were eligible for assessment with total proposed projects size above USD 2 billion. The submissions were made using the simplified concept note formats. The 153 PCNs then underwent an assessment process using forms developed by the NDA. Technical reviews and assessments were conducted by six independent concept note reviewers which shortlisted 38 PCNs to participate in a six-day online PCN writing workshop.

Following the workshop, 36 PCNs² were improved by their respective proponents and resubmitted to the NDA in GCF full Concept Note Format (some proponents revised their project sizes, target sectors, co-finance mechanisms, etc.).

Amongst the 36 resubmitted PCNs, the World Wildlife Fund (WWF) Indonesia's project was automatically matched as they were both proponents and an Accredited Entity (AE). Thus, they were not required to participate in the matchmaking clinic, and only 35 PCNs were circulated throughout AEs matchmaking clinic. Between July and August 2021, proponents of the 35 PCNs participated in the matchmaking clinics and 8 Direct and International AEs/D(AEs) have expressed interest in 20 PCNs. The brief summary of the 2nd call for PCN process is drawn in Figure 1.

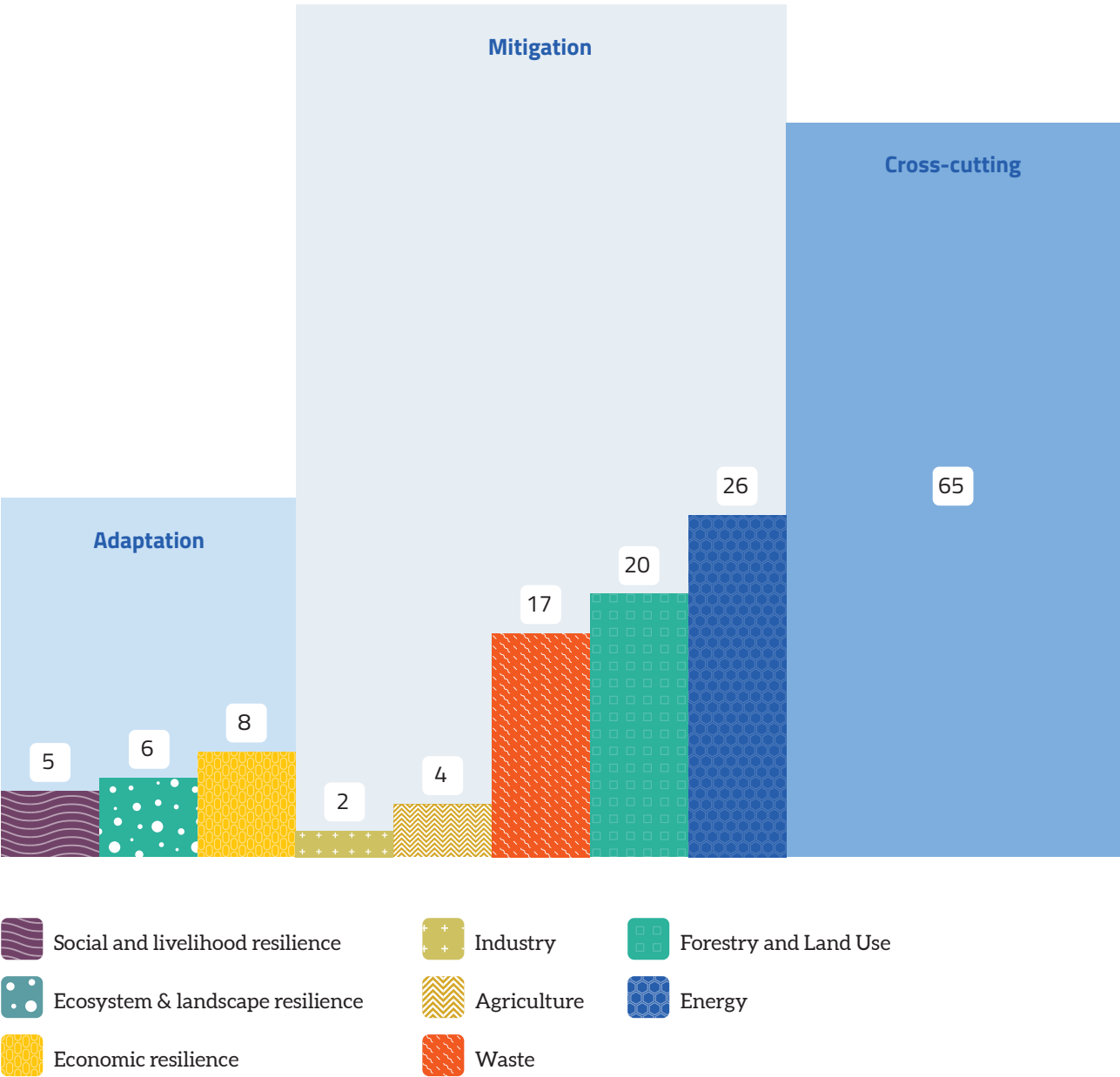
Figure 2 2nd Call for PCN process



2.1.1. Eligible PCN Statistics

From December 2020 to February 2021, a total of 172 PCNs were submitted to the NDA and 153 PCNs were eligible for assessment. The proportions of GCF funds requested by type include grants at 62%, 1 loans at 35% and equity at 3%. Moreover, the co-financing portion from all the eligible PCNs averaged at 37% of total project cost. The breakdown of the eligible PCN submissions is outlined in Figure 3.

Figure 3 Eligible PCNs Submitted by Project & Sector Type

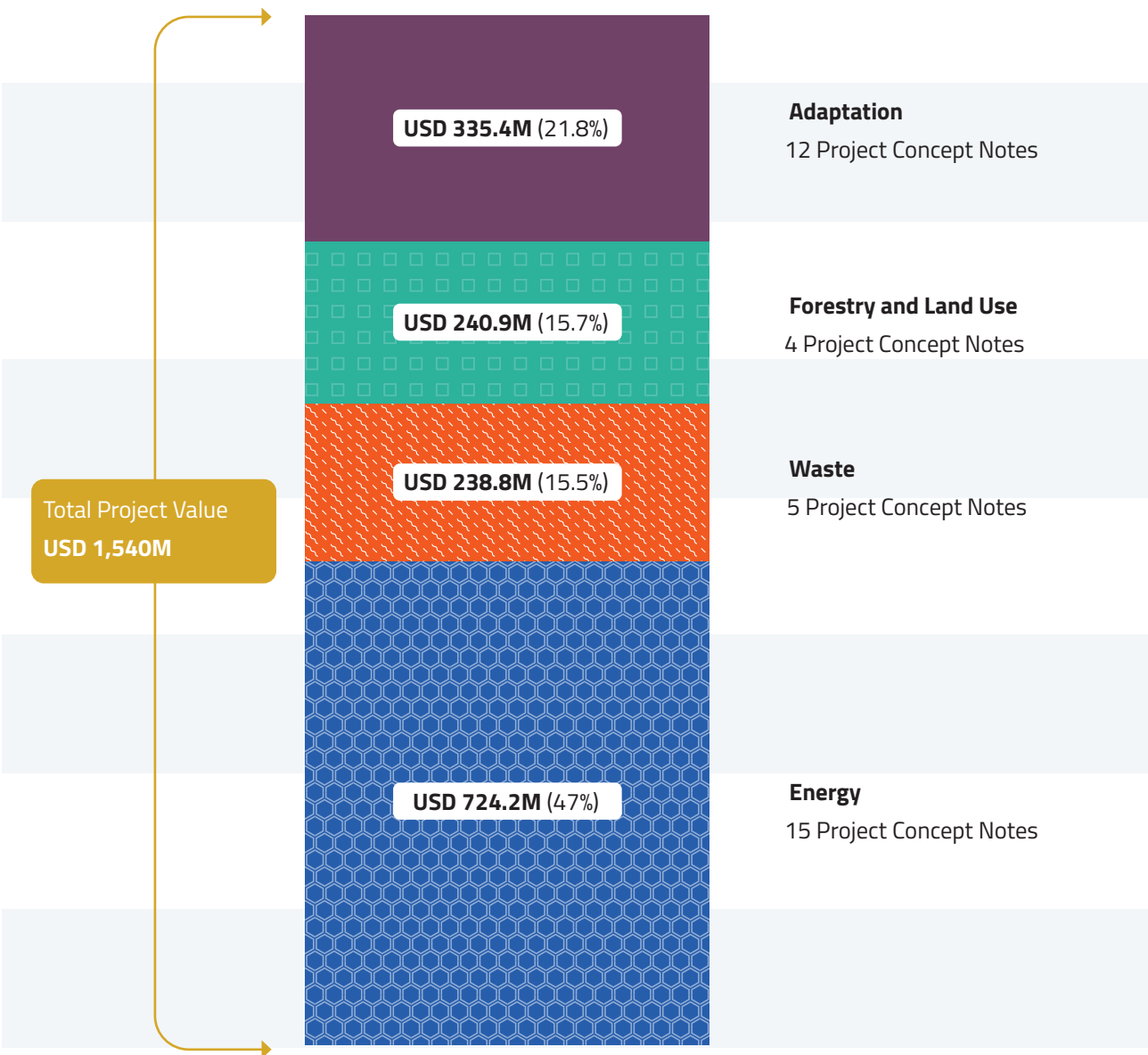


2.1.2. Shortlisted and Revised PCNs Statistics

Following an assessment process and technical reviews by six independent concept note reviewers, 38 PCNs were shortlisted to receive a six-day online PCN writing workshop. 36 of those proponents revised their concept notes and resubmitted to the NDA while

two proponents withdrew. The total project size following re-submission amounts to USD 1.5 billion with a total of USD 713 million proposed for GCF funding. The breakdown of the 36 re-submitted PCNs are outlined in Figure 3.

Figure 4 Shortlisted & Revised PCNs Value in Millions USD by Project Sector



2.2 Technical Assistance

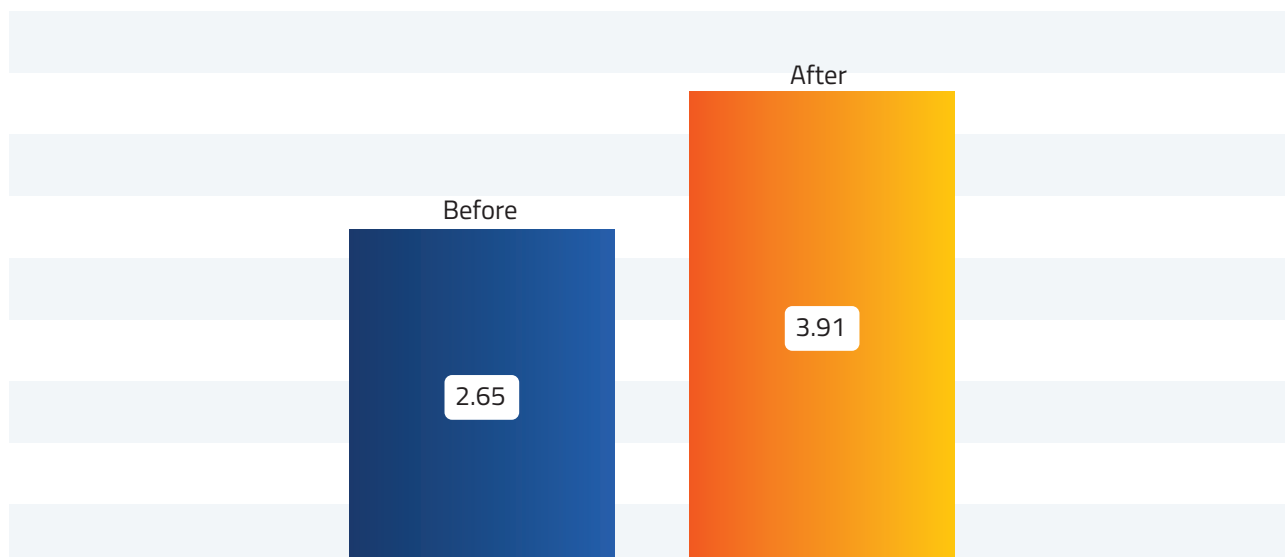
2.2.1. PCN Writing Workshop

A PCN writing workshop was conducted as part of the call's activity to provide capacity building. The workshop, facilitated by E.co Ltd aimed to enhance local actor's capacity in designing robust climate projects in line with GCF standards. The training was conducted on the June 7th to 9th and June 21st to 23rd 2021. The training provided technical assistance for participants in developing a GCF standard concept note with topics that cover every aspect of the concept note along with the appropriate learning process, such as barrier assessment, problem tree analysis, and theory of change. Topics on various GCF facilities were also covered, which will help project proponents to determine their submission plan according to the project's needs.

Interactive sessions were held to complement the presentations during the workshop and to promote "learning by doing", including the use of case studies, engaging their pool of experts to present several specific topics such as gender. Several tools to enhance learning experience were also used, such as Kahoot, Google Jamboard, and Polls.

Following the conclusion of the workshop, a training evaluation was conducted and a total of 132 responses were gathered. Included in the feedback forms, respondents determined their level of knowledge from 1-5 prior to the training and then after the training for each day. The mean knowledge prior to the training was 2.65, while the mean knowledge after was 3.91 across all training days for every respondent. A visualization can be seen in Figure 5 below.

Figure 5 Mean Knowledge Levels Before & After Training



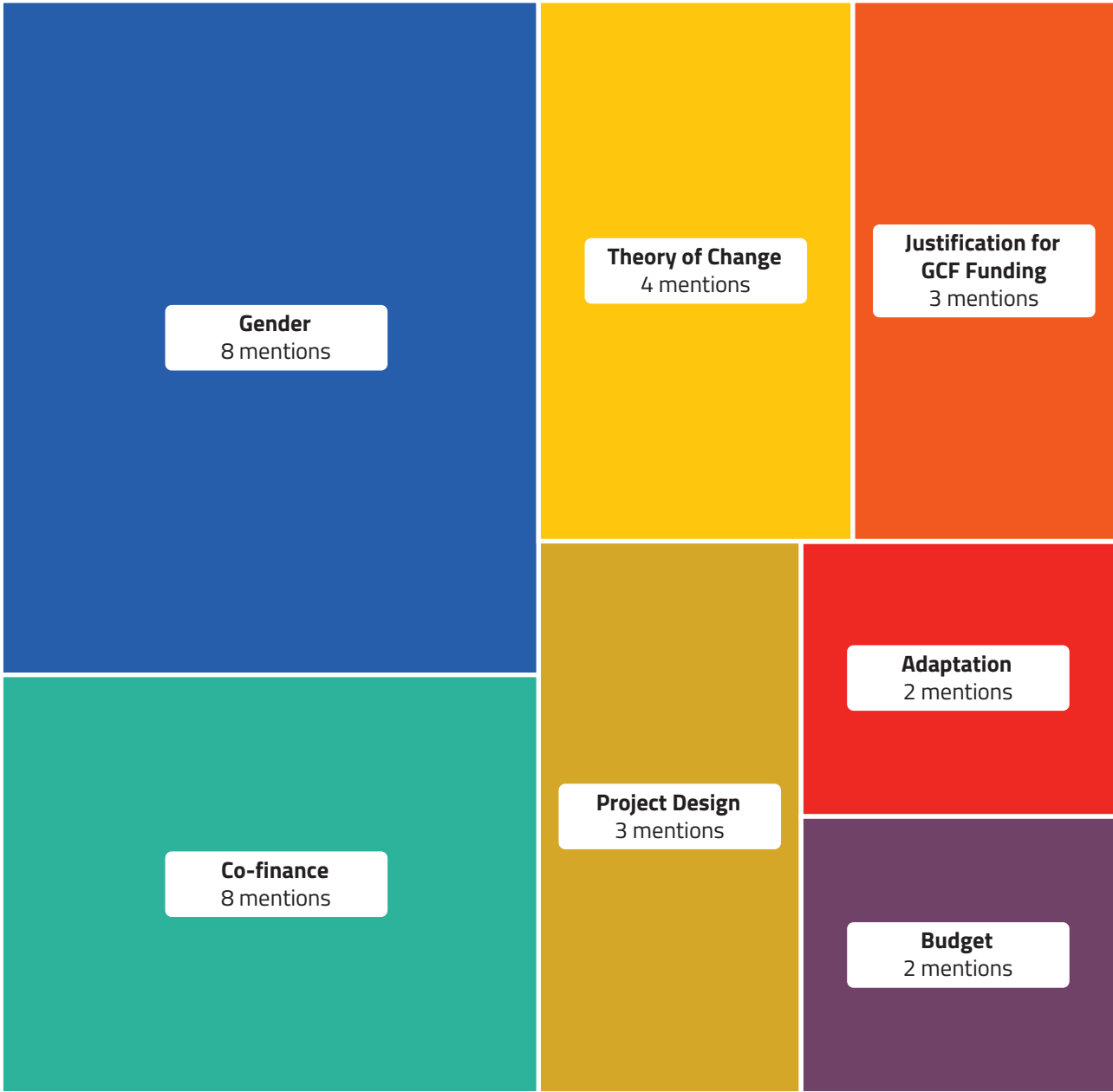
Feedback

On day 6 of the training, participants were asked to share what topics they would like to understand better. This feedback provides insight into gaps that can be addressed through webinars during the online coaching phase. Based on the number of mentions, gender, co-finance, and theory of change were frequently requested.

PCN Improvement: Coaching and Webinars

After the six-day online workshop, 36 proponents revised their PCNs and resubmitted the concept notes to the NDA. The NDA provided technical assistance to proponents to further assist their PCN development, which includes series of webinars and coaching supported by Eco Ltd. A maximum of

Figure 6 Frequently Mentioned Coaching Material Request Treemap



three rounds of feedback were provided throughout August – October 2021 as inputs for the revised PCNs. As part of the coaching, a technical score³ was given to each of the revised PCNs to provide an overview of the level of PCN improvement

and provide a simple comparison of PCN quality amongst the 36 PCNs. The resulting top three scoring PCNs are broken down into their respective sector types and outlined in Figures 7 to 10 below.

Figure 7 Top Three Technical Score PCNs on Energy Sector



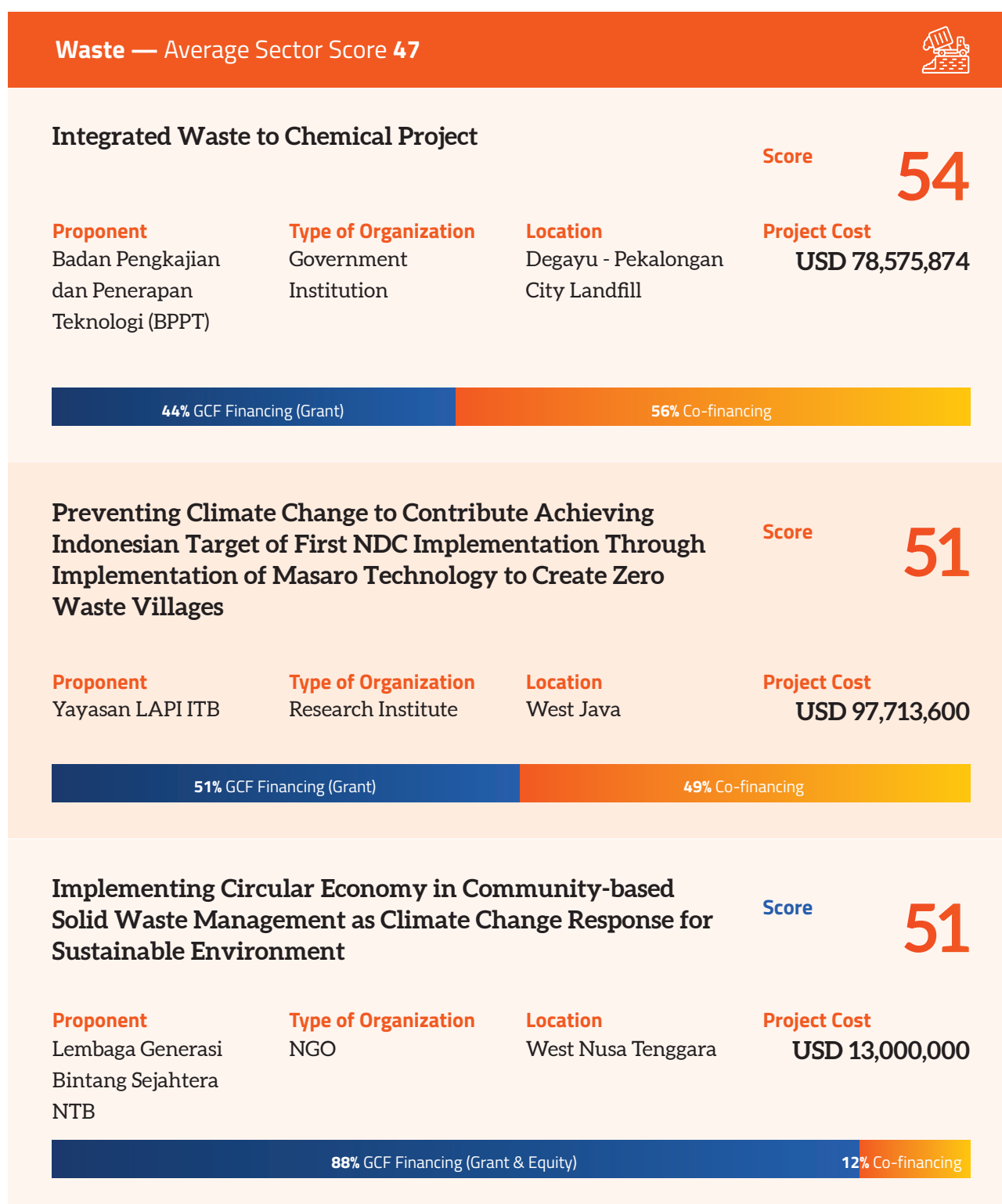
* Score is based on the first feedback

** Score is based on the last feedback

The score on Figure 7 to 10 indicates score which was given during the first re-submission (the first feedback). As this activity is not mandatory to be participated by the proponents,

until October 2021, only 4 (four)⁴ PCNs participated in two rounds of feedback with two PCNs⁵ participated in all three rounds of feedback.

Figure 8 Top Three Technical Score PCNs on Waste Sector



In addition, a series of webinars to further proponents in their PCN development, three webinars were held throughout August-October 2021, with the topic of “Gender Mainstreaming and GCF”, followed by “Climate Rationale”, and “GCF Financing Structure and Co-financing”. The webinars were conducted fully online to provide more

in-depth session on specific topics/ issue within GCF PCN development.

2.2.2. Sectoral Consultation Workshops

In the 2nd Call, to ensure early buy-ins from the related technical Ministries, a series of sectoral consultation workshops

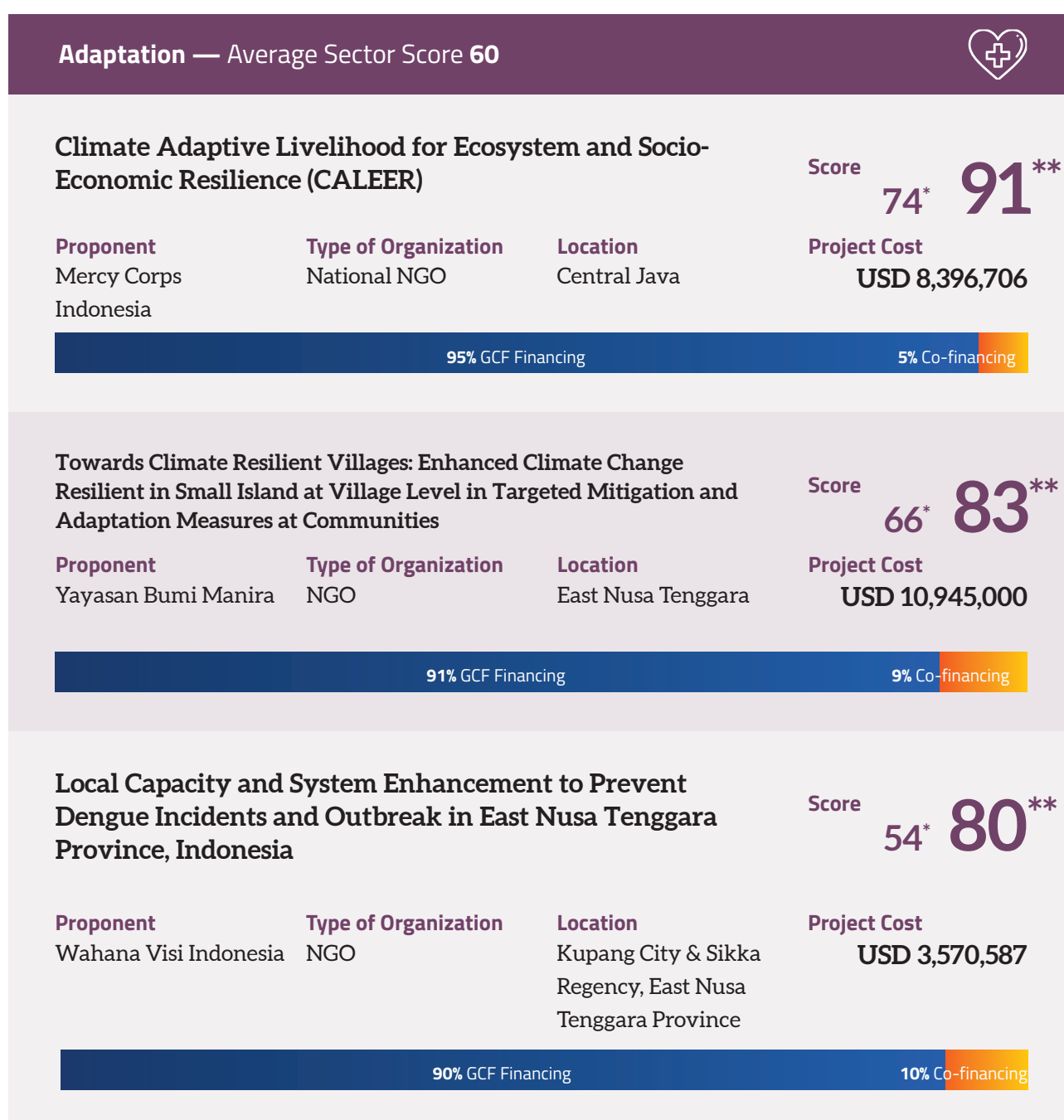
Figure 9 Top Three Technical Score PCNs on FOLU Sector



was held prior the matchmaking clinics. Several respective technical ministries/institutions were invited based on their sectoral mandate. Prior and during the consultation, they were given brief information on shortlisted concept notes, where they provided various inputs and reviews to the PCNs. As a result, each of the PCNs were given

a priority level: Low, Medium, High. The priority levels provide indication on conformity with the national and sectoral medium term planning, as outlined in Figure 12. A high priority-PCN, indicates that the theme, activity, and/or location within the proposed PCN is fully aligned with the sectoral strategic planning from the Government.

Figure 10 Top Three Technical Score PCNs on Adaptation Sector



* Score is based on the first feedback

** Score is based on the last feedback

Figure 11 Photo Documentation from the Series of Technical Assistance Workshops

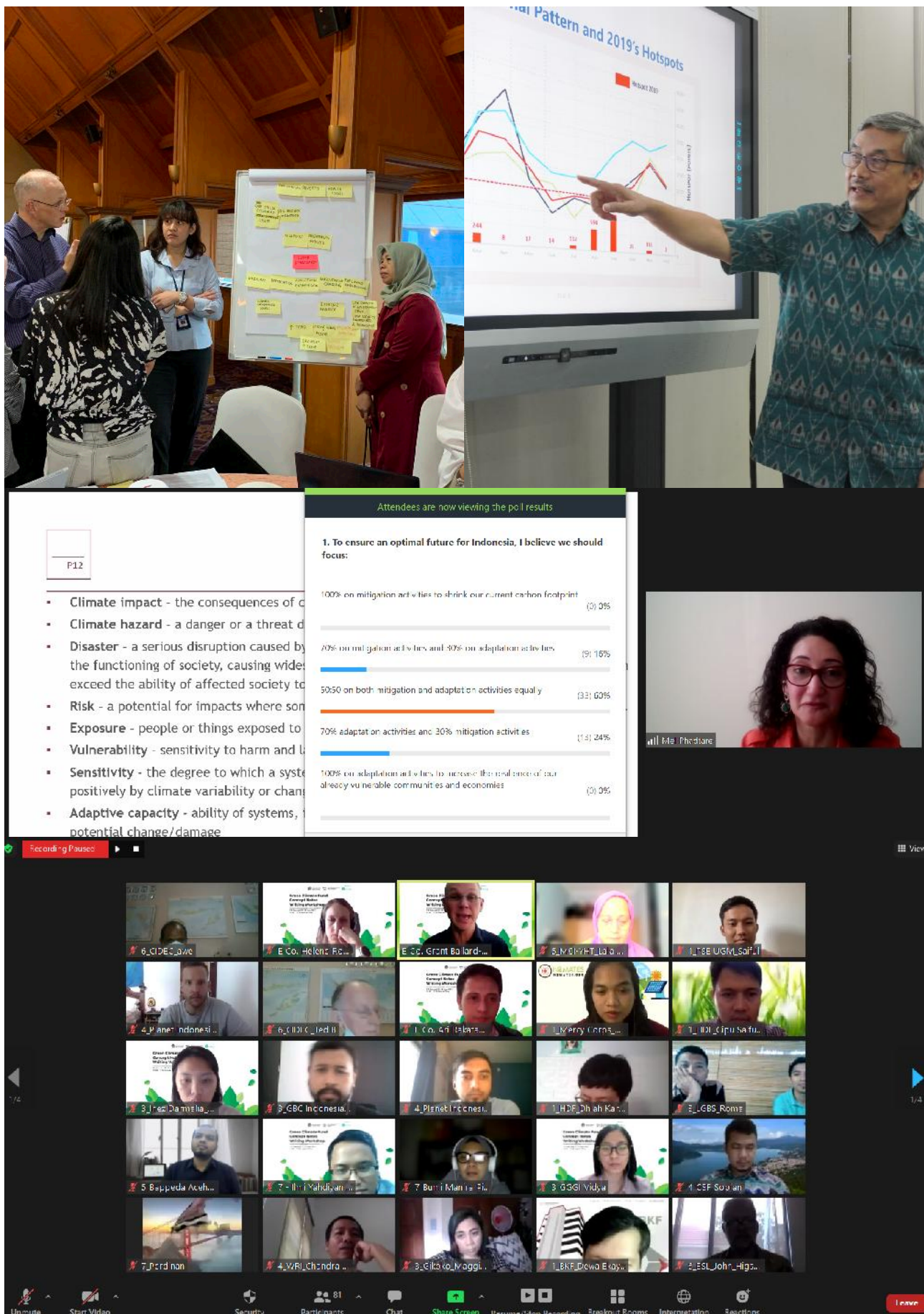
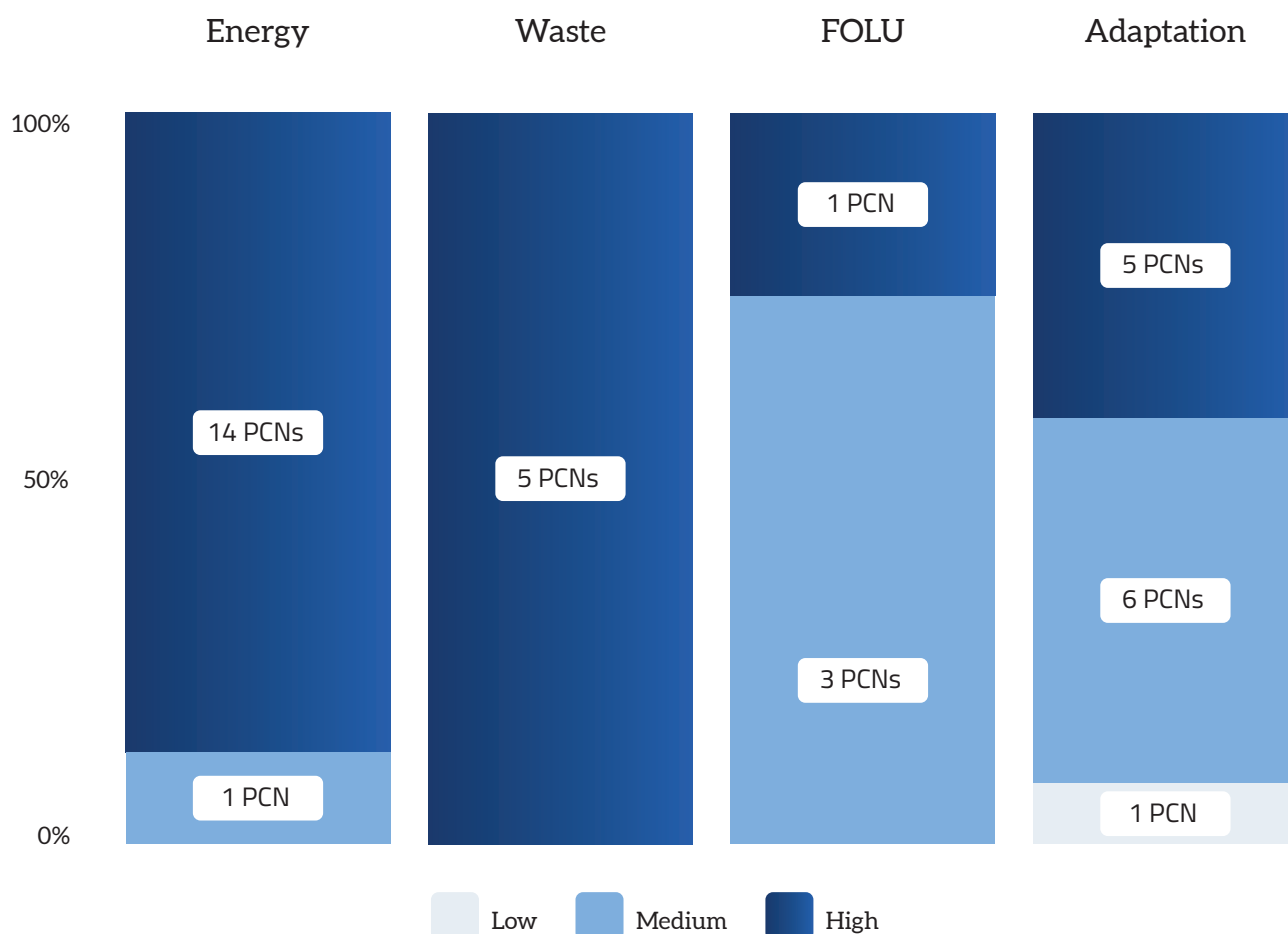


Figure 12 Government Priority Levels for Shortlisted & Revised PCNs by Sector Type



2.3. Matchmaking Clinics

2.3.1. Matchmaking Process

Following the technical assistance processes which included the PCN Writing Workshop series and Sectoral Consultation Workshops series, the shortlisted proponents were invited to the matchmaking clinics, where their revised PCNs were circulated to the (D)AEs. The list of prioritization lists based on results from the sectoral consultations were also circulated, to provide them

with initial guidance on which PCNs have received highest buy-ins from the technical ministries. Throughout July - August 2021, 35 of these PCNs⁶ participated the clinics. The aims of the clinic are to provide an introduction between the project proponents and potential Accredited Entities to identify a potential collaboration.

17 AEs participated the matchmaking clinic sessions. Based on the sector types, PCNs in energy sector attracted





Matchmaking Clinic Format and Setup	
	One clinic for one single or bundled PCNs
	No limitation on number of AEs participating
	NDA set the initial schedule but AEs are open to adjust their schedules based on preference
	One hour maximum duration per clinic with NDA facilitation

Figure 13 AE Attendances by Sector Type



Notes:

ADB = Asian Development Bank; AFD = Agence Française de Développement; CI = Conservation International; FAO = Food and Agriculture Organization; FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.; GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH; IFAD = International Fund for Agricultural Development; IFC = International Finance Corporation; IIF = Indonesia Infrastructure Finance; KDB = Korean Development Bank; PCA = Pegasus Capital Advisors; PT SMI = PT. Sarana Multi Infrastruktur; UNDP = United Nations Development Programme; UNEP = United Nations Environment Programme

the most AE attendance. In terms of attendances, UNDP and ADB sent the most in representatives for the matchmaking clinic sessions. The detailed numbers of the two aforementioned facts are outlined in Figures 13.

During the matchmaking sessions, many questions and suggestions were raised by the various AEs for the PCN proponents. A wordcloud of the frequently raised words are outlined in Figure 14 below.

2.3.2. Matchmaking Result

As the result from matchmaking, 8 (D)AEs have expressed interest to further collaborate with 20 PCNs. Including with WWF, 21 PCNs have potentially match with 9 (D)AEs. Following further refining and adjustments to the PCNs in close collaboration with the various partners and (D)AEs, the total project size for PCNs which have potential to collaborate with D(AE)s amounts to USD 1.186 billion with a total of USD 527 million proposed for GCF financing (41% grant and 59% loan). The breakdown of the PCNs matchmade with AEs are outlined in Figures 15–17.

Figure 14 Most Frequently Raised Items by AEs During Matchmaking Clinic

**Private sector
involvement Innovation
Environmental & social
safeguards and stakeholder
engagement Alignment with AE's
fiduciary and risk category** Financing structure & co financing.

Figure 15 PCNs Matchmade with AEs by Project Type

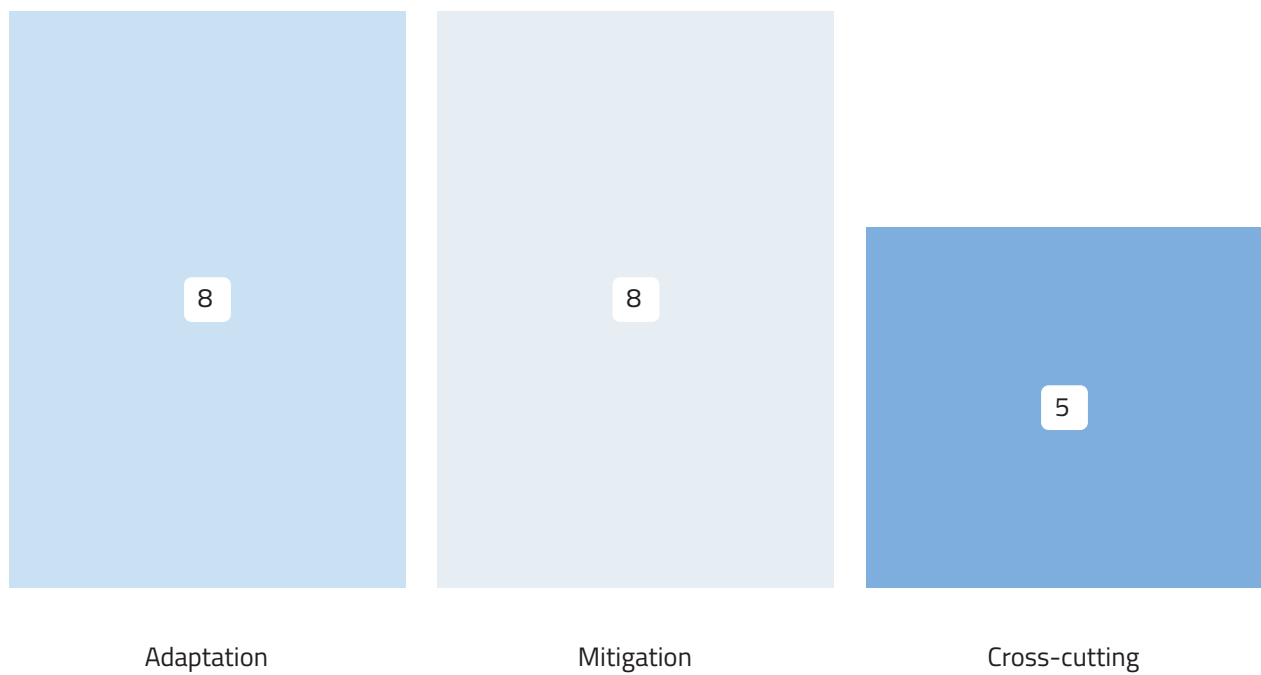


Figure 16 PCNs Matchmade with AEs by Proponent Type

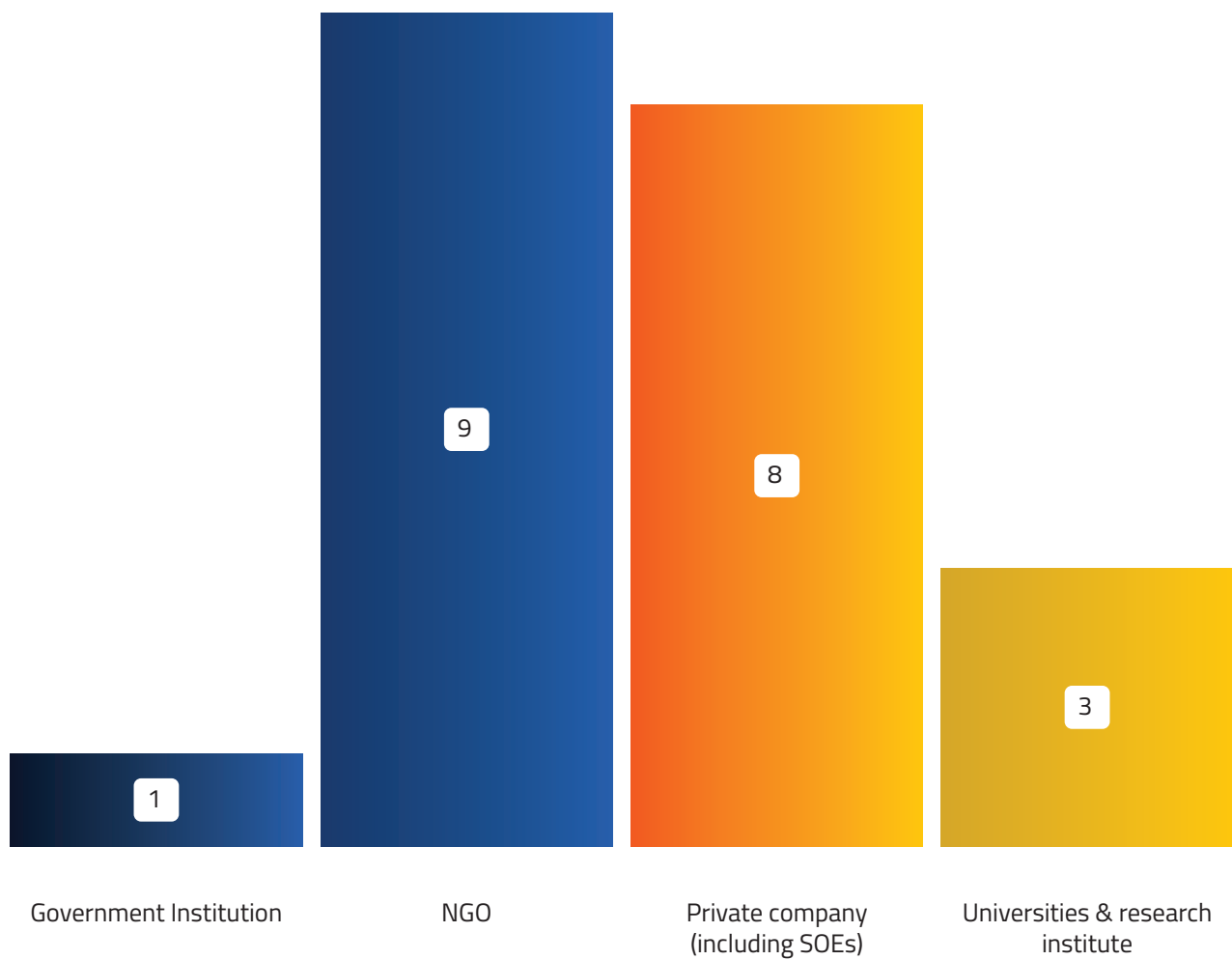
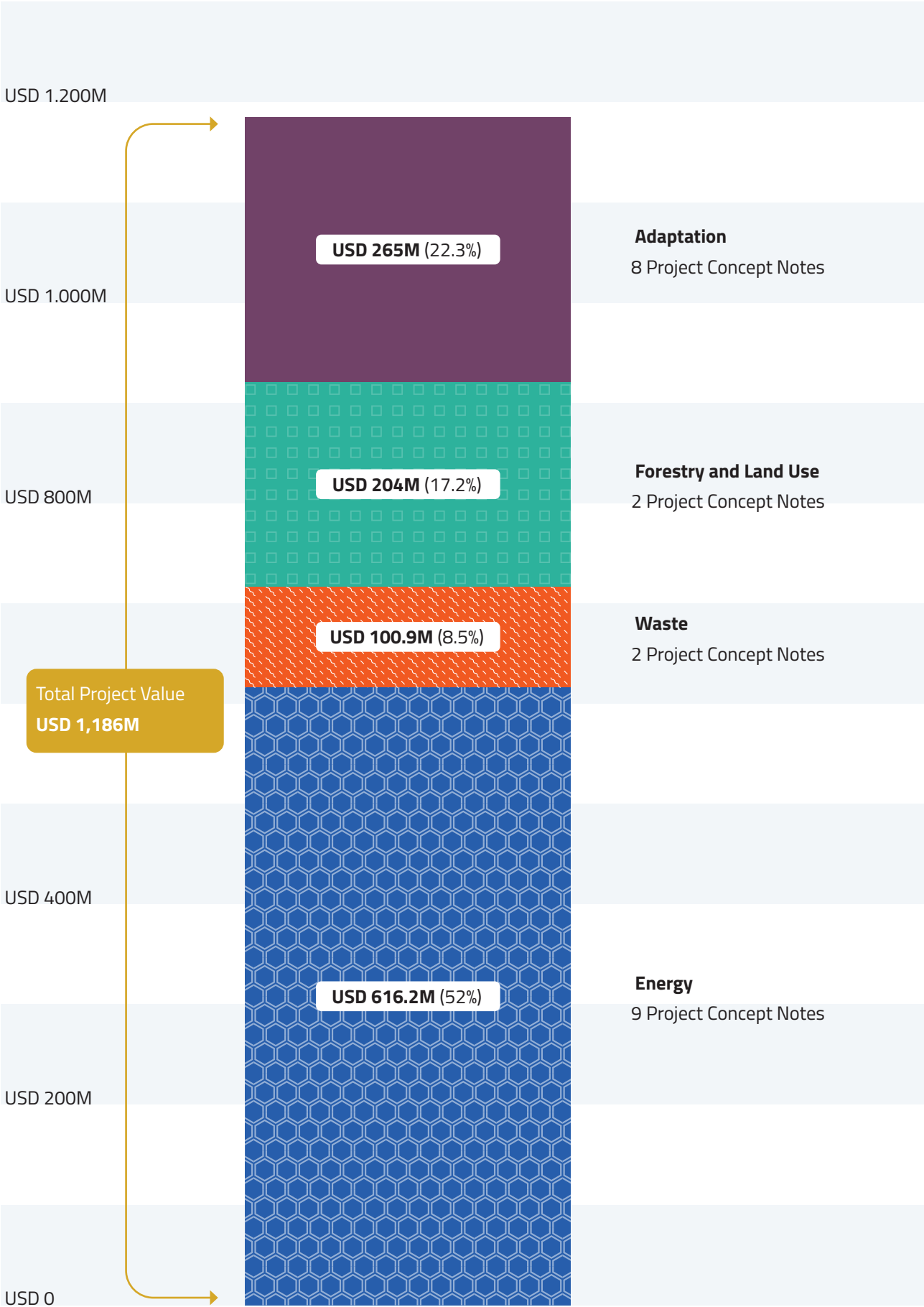


Figure 17 PCNs Matchmade with AEs Value in Millions USD by Project Sector



3

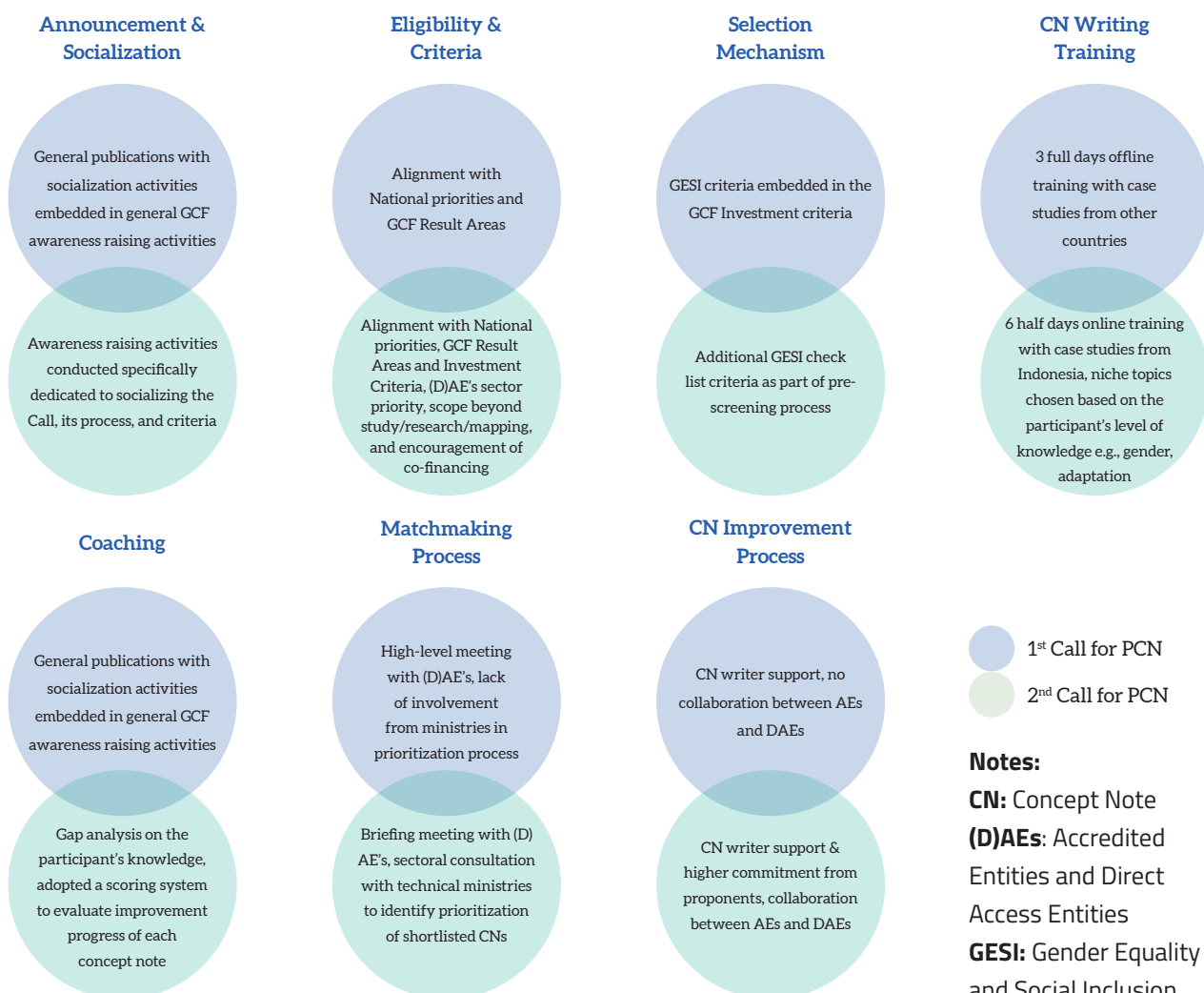
Lesson-Learned

3.1. Differences between the 1st & 2nd Call for PCN

Initiated by Indonesia NDA, the Call for PCN mechanism has been used by the NDA to attract interest from stakeholders to tap GCF funding. The process of the Call itself has been evolved especially in

the mechanism to enhance transparency and concept notes quality. Figure below illustrates the key differences between the First and Second Call for PCN:

Figure 18 Differences between the 1st & 2nd Call for PCN



3.2. Lessons Learned from the 2nd Call for PCN

1. Most submissions still require fine-tuning in the overall project design, where climate rationale was a common shortfall of the concept notes. Under both Calls, the weaknesses often found were related to the description of the climate hazards, the barriers, and the proposed activities. Furthermore, most project proponents have difficulty identifying the potential paradigm shift of the proposed projects, which relate to the scaling up and replication feasibility, knowledge and learning opportunity, enabling environment creation, and contribution towards regulations and policies development. It is also identified that understanding on integrating gender and social inclusion aspects into the concept notes is still low.

Way forward: Organizing series of capacity building activities prior the publication of the Call will provide an opportunity for potential candidates (project proponents) to understand the GCF requirements, do's and don'ts, and appetite. This initiative will not only allow a PCN to have a higher chance to be short-listed and developed into a high-quality concept note, but it will also attract more interest from (D)AEs to collaborate in the project. Other initiative is to train local trainers on GCF concept note development. New trainees could be trained using the existing concept note writing training material that has been produced to develop GCF concept notes. Training could focus on equipping local

experts to deliver the training, covering how to design and deliver training sessions. This will gradually eliminate the need for international experts.

2. Low co-financing ratio. While participants were not expected to be able to secure the whole project's fundings in the early submission process, project proponents were expected to have an understanding of the importance of building an innovative and concrete financing structure. Under both Calls, project proponents were often that Co-financing is a critical determinant for which concept notes are able to move forward. However, although most submission from both Calls still have a relatively low co-financing ratio, there was an increase of average co-financing ratio in the second Call from 28% to 37%.

Way forward: It is highly challenging to understand the financing requirements of the GCF as the financing requirement is not clearly defined by GCF. One way to increase potential project proponents' awareness is through introducing best case examples from approved GCF's proposal financing structure. Information-sharing sessions should be held more frequently to understand more on GCF sectoral guidelines and parameters evaluated for a private and public sector project that will further enhance a concept note alignment with GCF's requirements.

3. Lack of stakeholder collaborations.

Although there was a significant increase in private sector participation in the second Call, collaboration between private and public sector is still low, where most concept notes proposed by private sector have low engagement with public sector such as local government, indicating unknown commitment from the government for the proposed project. A collaboration between the public and private sector will enable a project to have a solid country ownership principle, proper alignment with the national strategies, and wider co-financing support, which will eventually help the project to be more sustainable with high potential of replication.

Way forward: In the second Call, a sectoral consultation workshops with technical Ministries/Institutions have been conducted prior the matchmaking process to secure early buy-ins from government and identify level of prioritization on the proposed PCNs. Moving forward, the sectoral workshops can also be conducted by inviting multi-stakeholder participants including private sectors as the project proponents, which can stand as a platform to identify potential collaboration and partnership.

4. Securing interest from the Accredited Entities.

The Call for PCNs also has potential risks, including low rate of matched PCNs through the matchmaking process, which may lead to significant number of PCNs left without any (D)AEs who would like to collaborate and submit the PCNs to the GCF. While there is an increased interest from the (D)AEs in the second call and higher number of PCNs matched with (D)AEs compared to the first call, both Call still have at least 30% of the shortlisted PCNs do not have potential (D)AEs, despite having a relatively high level of ratio for the co-financing.

Way forward: The Call could be conducted on an annual basis. However, since it takes a long time for a GCF project to developed and approved, it may be worthwhile to consider basing the call-offs on different sectors or based on priority and strategic projects for the country, for the GCF, and/or for the AE itself. For example, to conduct a theme-based Call, such as for adaptation projects, or sector areas which are prioritized by the AEs and DAEs, as currently the GCF prioritizes adaptation projects or projects from Direct Access Entities. Therefore, these projects are more likely to be pushed through the GCF process and financed.

Endnotes

- 1 <https://www.greenclimate.fund/projects/dashboard>
- 2 Two proponents, PT. Teknik Data Antara and Lentera CIDEDEC withdrew their PCNs from the Call.
- 3 The scoring system is only used as a tool to assist NDA. It does not necessarily guarantee approval of the PCN from GCF. Instead, the higher the score is, the higher the quality of the PCN which match with GCF format and criteria. The scoring system is based on 7 indicators which include: (1) Alignment with GCF result areas; (2) Climate rationale; (3) Co-finance; (4) Investment criteria; (5) Paradigm shift; (6) Gender and; (7) Completeness of concept note.
- 4 1) HDF Energy, 2) Yayasan Bumi Manira, 3) World Resource Institute, 4) Mercy Corps Indonesia
- 5 HDF Energy and Yayasan Bumi Manira. HDF had the final score of 83 (improved from 71 in the 1st feedback); Yayasan Bumi Manira had the final score of 83 (improved from 66 in the 1st feedback).
- 6 Excluding PCN submitted by the World Wildlife Fund (WWF) Indonesia with WWF as the AE, as WWF USA is already accredited as GCF AE thus not participating in matchmaking clinic.

List of Abbreviations

AE	Accredited Entity
Bappenas	National Development Planning Agency
CN	Concept Note
COVID-19	Coronavirus Disease
CSO	Civil Society Organization
CPD	Country Programme Document
DAE	Direct Access Entity
(D)AE	National and International Direct Access Entity
ESS	Environmental & Social Safeguards
FOLU	Forestry and Land Use
FP	Funding Proposal
FPA	Fiscal Policy Agency
GCF	Green Climate Fund
GGGI	Global Green Growth Institute
GHG	Greenhouse Gas Emissions
M/I	Ministry/Institution
MOEF	Ministry of Environment and Forestry
MOF	Ministry of Finance
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NGO	Non-governmental Organization
PCN	Project Concept Note
PPF	Project Preparation Facility
TA	Technical Assistance
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar

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