



FISCAL POLICY AGENCY
THE MINISTRY OF FINANCE
THE REPUBLIC OF INDONESIA

Accessing the Green Climate Fund in Indonesia



Ver.1.0-July2018



GREEN
CLIMATE
FUND

Achieving Indonesia's Green Targets Through the Green Climate Fund

The Government of Indonesia ratified the Paris Agreement in late October 2016. It has pledged to reduce its emissions – compared to Business as Usual (BAU) – by 29 percent, which will be financed by its own resources (unconditional commitment), and by 41 percent that is subject to international assistance for finance, technology transfer, and capacity building (conditional commitment) by 2030. Indonesia is the world's fifth largest emitter of greenhouse gases and the largest contributor of forest-based emissions. Therefore, Indonesia's success in achieving its national climate pledges will be critical to keeping the planet's temperature from rising well below the 2 degrees Celsius threshold called for in the Paris Agreement.

The Green Climate Fund (GCF) is a financing mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and is specifically established to provide (financial) support so that countries like Indonesia can reach its emission reduction targets. As of May 2018, the GCF portfolio has 76 projects worldwide worth USD 12.6 billion with an anticipated equivalence of 1.3 billion tonnes of CO₂ avoided and 217 million people with increased resilience.

The GCF can also provide (financial) support to Indonesia by channelling funds to green projects and programmes. Such projects can be designed and submitted to the GCF through both domestic and international accredited entities – if such projects are in line with the country strategy and legislation. The main communication channel between the GCF and countries is the nationally appointed National Designated Authority (NDA), which is hosted by the Fiscal Policy Agency of the Ministry of Finance in Indonesia.

Interested parties can find more information on the GCF in this brochure and can contact the NDA at any time for more information.



What Is the Green Climate Fund?

The Green Climate Fund (GCF) is a Global Fund within the framework of the United Nations Framework Convention on Climate Change (UNFCCC), dedicated to support developing countries in their paradigm shift to low-emission and climate-resilient development. The objective of the GCF is to support projects, programmes, policies and other activities in developing countries that aim at adaptation or mitigation in responding to climate change.

The GCF is intended to be the leading Climate Financing Mechanism under the UNFCCC with a plan to raise USD 100 billion per year by 2020. As per January 2018, the GCF has raised USD 10.3 billion in pledges from 43 state governments, which are mainly developed countries, but also some developing countries and regions.

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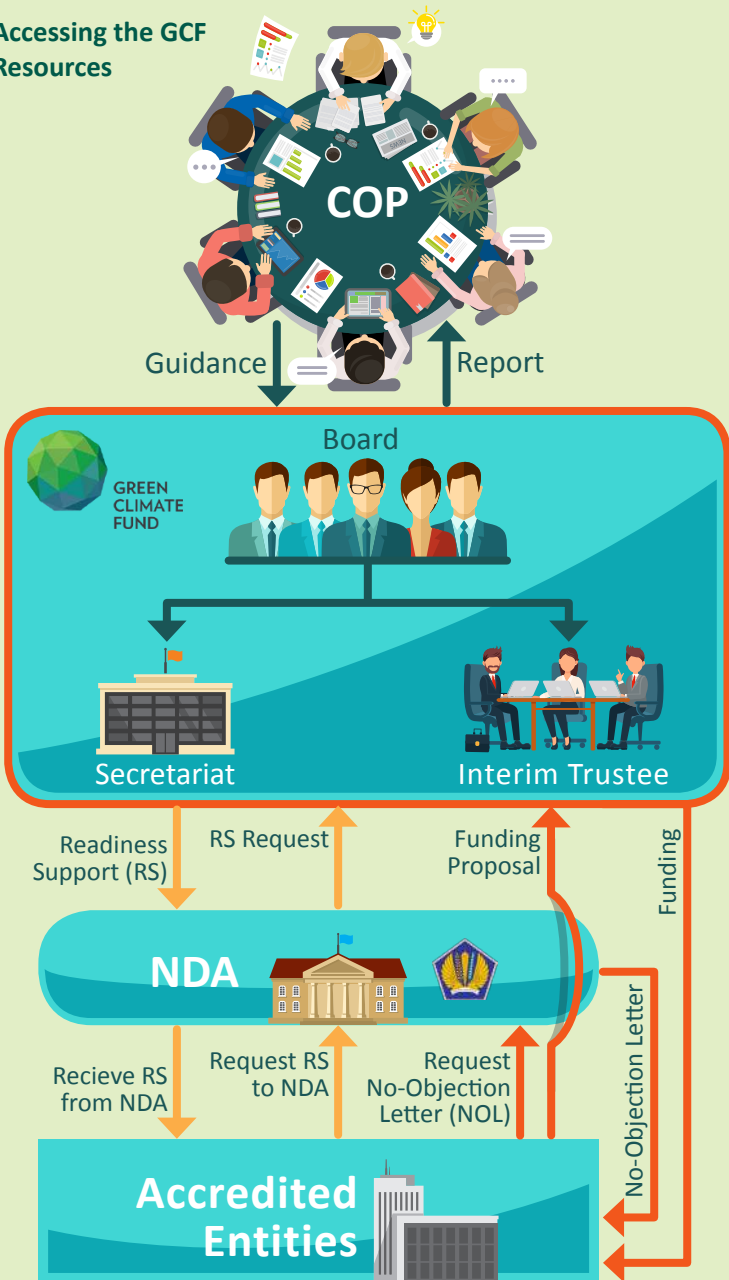
The GCF aims to use public investment to stimulate private finance, unlocking climate-friendly investment for low emission and climate resilient development. To achieve maximum impact, the GCF seeks to catalyse funds, multiplying the effect of its initial financing by opening markets to new investments.

The Conference of the Parties (COP), a formal meeting of the UNFCCC parties, is the supreme body of the UNFCCC and gives guidance to the GCF. However, the GCF is governed and supervised by a Board that has full responsibility for funding decisions. Acting for the United Nations Regional Groups, the board consists of 24 members that equally represent both developed and developing countries. It makes decisions based only on the consensus agreement of all Board members.

The GCF Secretariat is a fully independent entity which services and is accountable to the board. It has effective management capabilities to execute the day-to-day operations of the GCF and is managed by the GCF Executive Director. The Secretariat is headquartered in Songdo, in the Republic of Korea.

Other GCF-related bodies are the NDA and the (D)AEs, which will be elaborated upon in Figure 1.

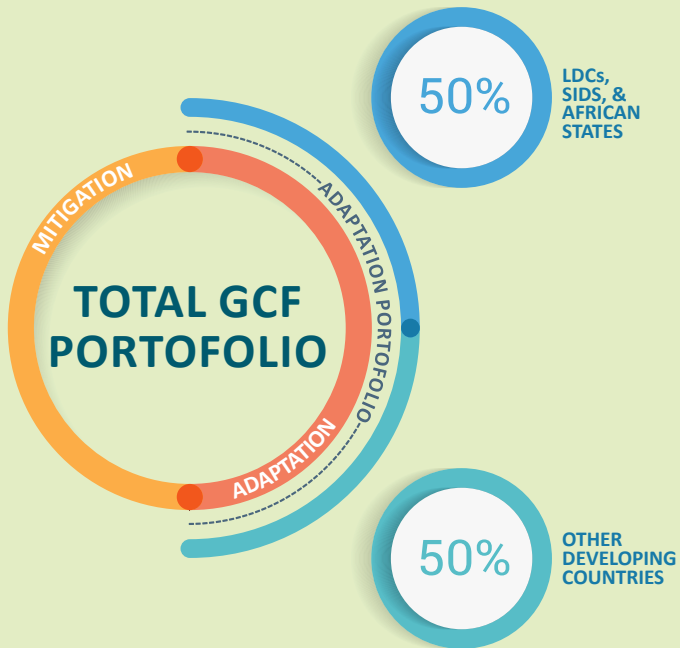
Figure 1 **Accessing the GCF Resources**



GCF Strategic Impact Area

The GCF aims to equally balance fund allocation between adaptation and mitigation, and of its funds allocated to adaptation, 50 percent will be allocated specifically to vulnerable countries, including the Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States.

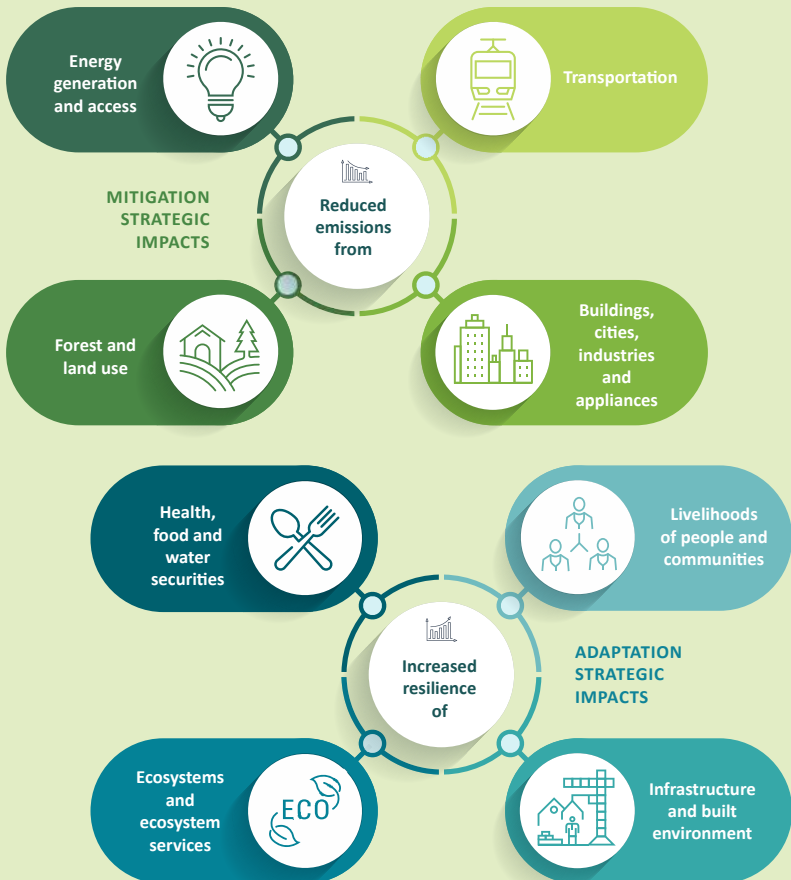
Figure 2 **Balancing Resource Allocation**



- GHG emission reduction projects (50%)
- Increased resilience projects (50%)
- Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African states (50%)
- Other developing countries (50%)

The GCF is financing projects and programmes under eight strategic impact areas as shown in figure 3.

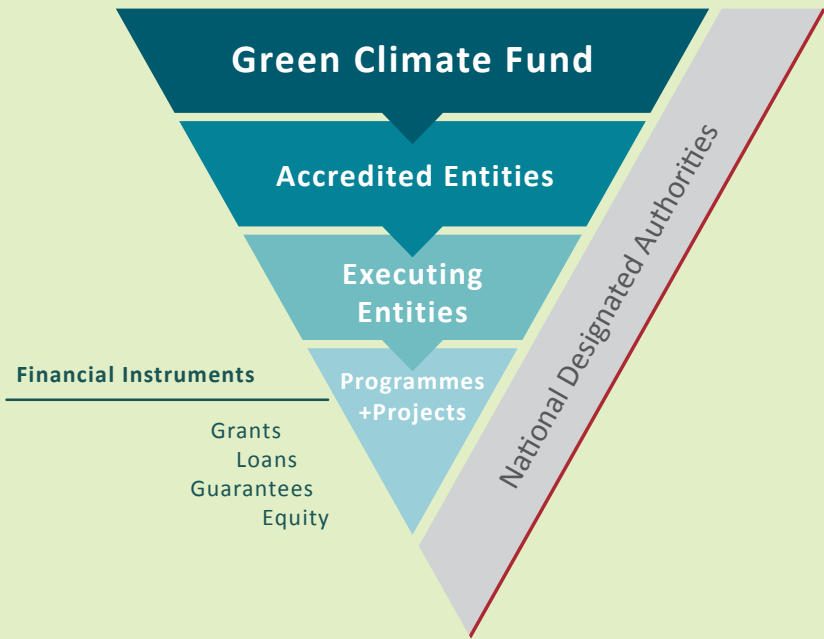
Figure 3 Strategic Impact Areas of the GCF Resources



GCF Architecture

There are three main players with key roles in interacting with the GCF: the National Designated Authority (NDA), the Accredited Entities (AE), and the Executing Entities (EE). See figure 4.

Figure 4 **GCF Architecture**



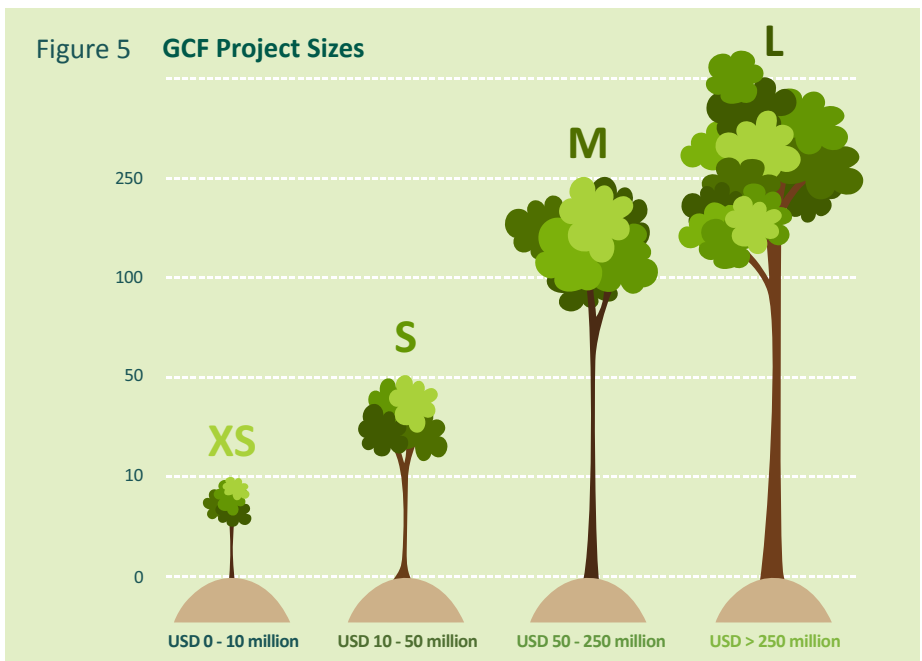
National Designated Authority (NDA)

The NDA serves as the national focal point between countries and the GCF. It ensures that Accredited Entities (AEs) submit projects and programmes that benefit their country and are in line with the country's needs. The Fiscal Policy Agency (Badan Kebijakan Fiskal-BKF), under The Ministry of Finance, is appointed as Indonesia's NDA for the GCF. For more information about Indonesia's NDA, please refer to the National Designated Authority section on page 17.

Accredited Entities (AE)

The Accredited Entities (AEs) are institutions or organizations accredited to the Green Climate Fund (GCF) to carry out a range of activities including developing and submitting funding proposals and overseeing the management and implementation of projects and programmes. AEs must meet the GCF financial standards as well as environmental and social safeguards, and gender requirements.

AEs are categorized by potential risk category level and below project size (USD):



AEs can be private or public and can be either international entities or domestic entities. The process to become an accredited entity is further explained in figure 6:

- **International Access Entities (AEs)** can include bilateral development agencies (e.g. Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ), multilateral development banks (e.g. the World Bank), United Nations agencies (e.g. United Nations Development Programme), regional development banks (e.g. the

Asian Development Bank), intergovernmental organisations, or private sector financial institutions.

- **Direct Access Entities (DAEs)** are subnational, national or regional accredited entities that are required to provide evidence of a nomination from an NDA with their accreditation application documents. They may include national ministries or government agencies, national development banks, national climate funds, commercial banks, other financial institutions, etc.

Organisations from developing countries that are nominated to become a DAE or are a DAE may be eligible to receive readiness and preparatory support to prepare to become DAEs, or to strengthen their organizational capacities and upgrade their accreditation status.

Indonesia currently has one accredited DAE, which is PT SMI, and two nominated DAEs in the pipeline, which are Indonesia Infrastructure Finance (IIF) and Kemitraan.



Size: **Small**

Fiduciary Std.:

Basic; Project management; Grant award; On-lending/ Blending loans

E&S category:

B (*activities with potentially mild to adverse environmental and/or social risks and/or impacts that are few in numbers, generally site-specific, largely reversible, and readily addressed through mitigation measures*)

Full list of accredited entities is available through the link here <http://bit.ly/gcfAEdir>

Executing Entities (EEs)

A project proponent that is not an AE can act as an Executing Entity (EE). While an AE acts as a fund programme manager, the EE oversees executing eligible activities supported by the GCF under the oversight of the AE. An AE can also act as an EE.

Upon receiving a nomination letter from the NDA, national entities must send an accreditation application request to the GCF via the online

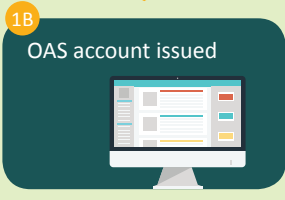
accreditation system (OAS). The GCF's accreditation panel will review each application to ensure that the requesting entities comply with the GCF's financial standards, environmental and social safeguards, as well as gender requirements. The accreditation panel will determine whether the AE status will be granted to the applying entities.

Figure 6 Accreditation Process Step

1. Pre-accreditation



**An NDA nomination letter is required for Direct Access entities only. Nomination is not required for International Access entities.*



2. Accreditation



- AMA negotiation
- AMA execution
- AMA effectiveness

AMA: Accreditation Master Agreement
 AP: Accreditation Panel
 NDA: National Designated Authority
 OAS: Online Accreditation System



GCF Available Facilities

The Green Climate Fund offers diversified financial instruments, including concessional senior and subordinated loans, equity, guarantees, and grants. These financial instruments allow the GCF to tailor its financial support to the project needs of public, private, and nongovernmental entities.

The following GCF funding windows are available as per January 2018:

Funding Window 1

Readiness and Preparatory Support

To strengthen institutional capacities of the NDA and national entities.

Who can access it? NDA
The NDA can select a Delivery Partner to implement activities approved under the Readiness and Preparatory Support Programme.

- Amount**
- Up to USD 1 million per year per country (grant)
 - Up to USD 3 million for the formulation of adaptation plans (USD 3 million is not replenished) (grant).



Project Preparation Facilities (PPF)

To support project and programme preparation, from early stages of project identification, concept development and establishing the enabling environment, to mid- and late-stage processes, including project due diligence and project structuring.

Who can Accredited Entities

access it? The funding window is open to requests from all accredited entities. However, it is especially targeted at supporting DAEs and micro to small-sized category projects.

Amount Up to USD 1.5 million

Available from each request in the form of grants and repayable grants, while equity may be considered for private sector projects.



Programme or Project Funding

To support climate change mitigation and adaptation projects.

Who can Accredited Entities

access it?

Amount In accordance to the Accredited Entities' project size category.



Simplified Approval Process

Smaller-scale and low risk projects or programmes. They should be ready to scale up, and they have the potential to transform to adapt and/or mitigate to climate change.

Who can National Designated Agency and Accredited Entities

access it? DAEs and NDAs are especially encouraged to submit concept notes.

Amount Up to USD 10 million



Private Sector Facility

To unlock private sector investment in climate finance.

Who can access it? Private sector players and intermediaries
The entities would be subject to accreditation or would need to work through accredited entities.

Amount In accordance with the AE's project size category
The last call had a total size of USD 500 million on 30 August 2017.

**REDD+ Result-Based Payments Pilot Programme**

Countries that have completed the first two phases of REDD+ for results generated from the end of 2013 to the end of 2018 are eligible to apply for phase 3 funding through this pilot facility.

Who can access it? Accredited Entities *in close consultation with NDA and REDD+ entity/focal point.*

Amount In accordance with the AE's project size category
Allocation of USD 500 million, until the last GCF Board Meeting in 2022.

**Enhancing Direct Access**

Country driven programmatic approach. There will be no submission of individual projects/programmes to the GCF because decision making will be devolved to the country level.

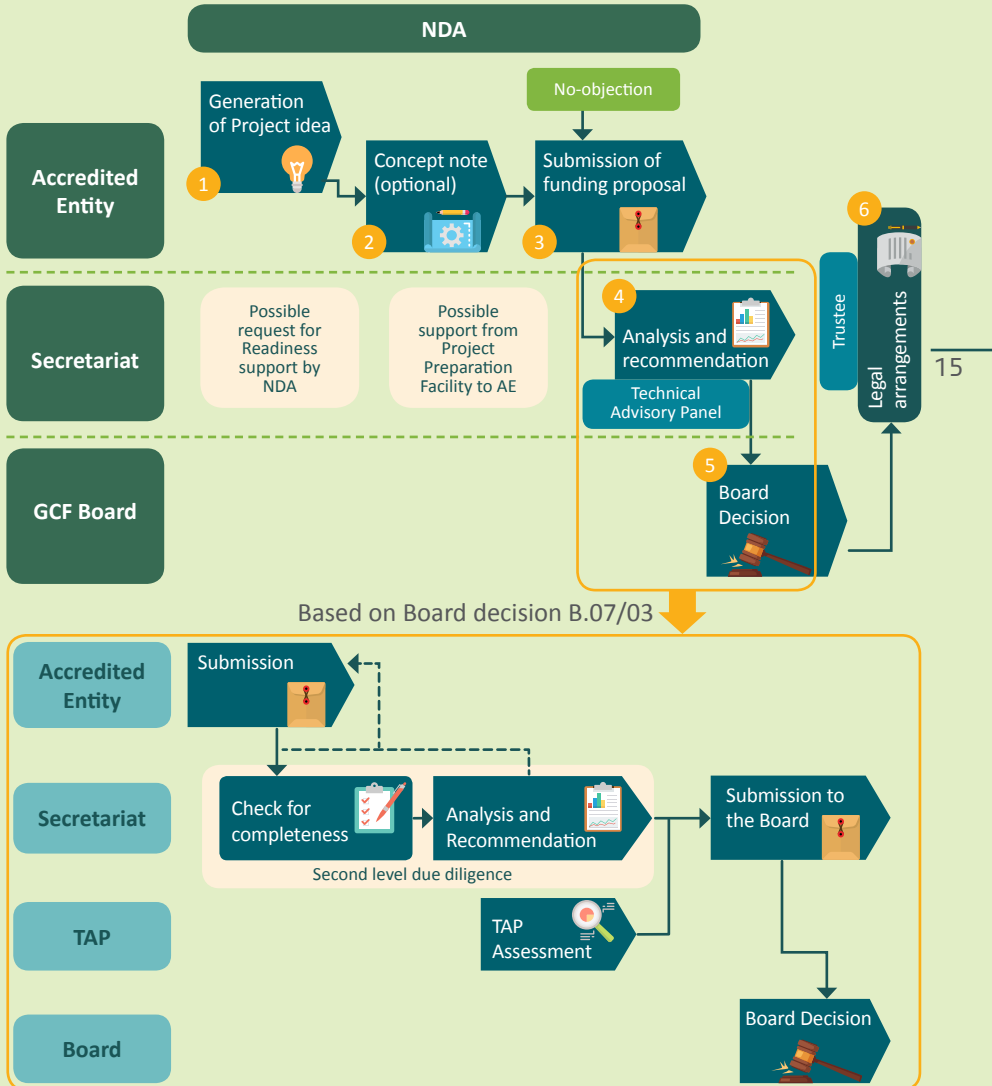
Who can access it? DAEs or prospective DAEs *nominated by the NDA to implement the programme. Entities are requested to first submit a concept note to get feedback and further guidance before working on a full proposal. In addition, applicants will need to be accredited before being able to access the Fund.*

Amount In accordance with the AE's project size category
Allocation of USD 200 million.



Funding proposals for projects and programmes are submitted by partners, assessed by the GCF Technical Advisory Panel, and approved by the GCF Board before they can be implemented. The approval process can take four months or more until reaching a board decision.

Figure 7 GCF Approval Proposal



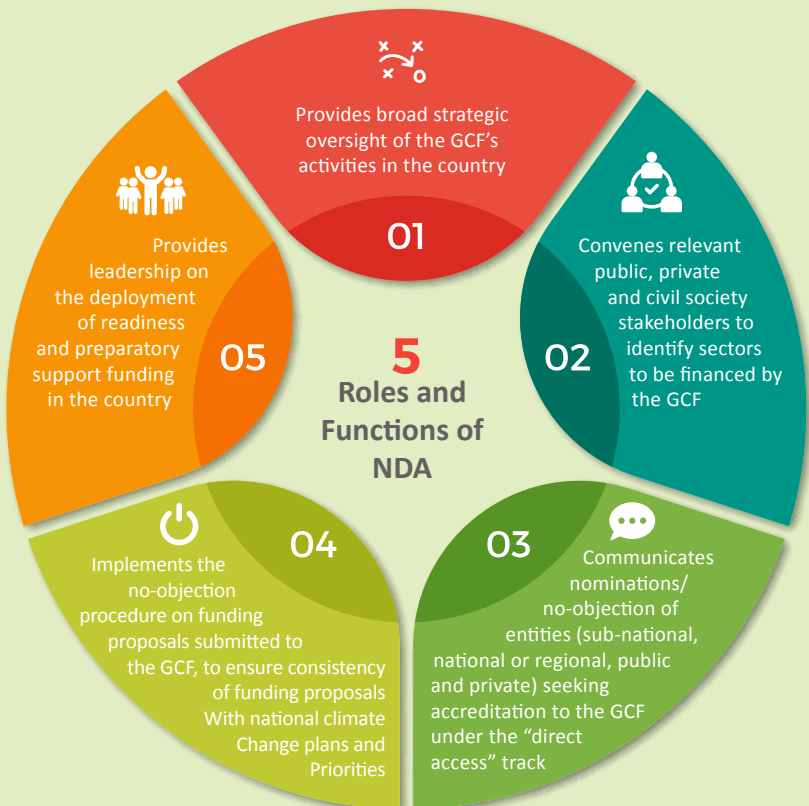
Visit <http://bit.ly/gcf101> for a comprehensive guide on how to access the GCF.



NATIONAL DESIGNATED AUTHORITY (NDA)

The National Designated Authority (NDA), or the focal point, serves as the interface between each country and the GCF. The NDA plays a key role in ensuring country ownership and country-driven approach, which are core principles of the GCF's business model. The roles of the NDA can be found in Figure 8 below.

Figure 8 **NDA General Roles**





The NDA in Indonesia

The Fiscal Policy Agency under the Ministry of Finance is the GCF NDA in Indonesia in accordance to Minister of Finance Decree No. 756/KMK.010/2017. The Center for Climate Finance and Multilateral Policy (*Pusat Kebijakan Pembiayaan Perubahan Iklim dan Multilateral/ PKPPIM*) acts as the secretariat, the permanent administrative office, of Indonesia's NDA.

The Readiness and Preparatory Support Programme (RPSP) (see also page 12 "Funding Window 1") is a funding programme to enhance country ownership and access to the Fund. The RPSP provides resources for strengthening the institutional capacities of NDAs and direct access entities (DAEs) to efficiently engage with the GCF. Resources may be provided in the form of grants or technical assistance. The NDA can nominate Delivery Partners to support with the implementation of the RPSP activities. In Indonesia the NDA has formally nominated the Global Green Growth Institute (GGGI), through a selection process, as a Delivery Partner. The GCF approved in June 2018 an official first tranche of funding from the RPSP funding window for Indonesia, implemented by the NDA and GGGI.

Figure 8 describes NDA general roles and below are other key tasks of the NDA:

- Development of the GCF country programme (see more information below)
- Executing the no-objection procedure (see more information below)
- Issuance of the Nomination Letters that officially nominate DAEs and Delivery Partners
- Issuance of Recommendation Letters to recommend project/ programme concept notes



The GCF Country Programme

The GCF emphasizes the importance of GCF country programmes to build country ownership. An NDA is in charge of the formulation of the country programme which involves multi-stakeholders consultations. A country programme is a living document, requiring periodic updates, that presents a country's climate change priorities with the GCF, including a pipeline of projects that the country would like to develop with the GCF. It provides an action plan that details how projects and programmes are to be developed, the type of entity to partner with, and the readiness and project preparation support required.

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Country programmes should take into account the country's commitments through the Nationally Determined Contributions (NDCs) and the Sustainable Development Goals (SDG's), as well as National commitments, National Appropriate Mitigation Actions (NAMAs), National Adaptation Programmes of Actions (NAPAs), existing development plans and strategies, as well as regional, national, sub-national and local climate policy frameworks. This is important to ensure that all GCF financing is consistent with the National priorities. The Country programmes should also consider National and International laws and existing policies.

Each GCF funding proposals received by the NDA will be assessed against the GCF country programmes by the NDA to ensure such alignment.

The NDA, supported by Gesellschaft für Internationale Zusammenarbeit (GIZ), has developed the initial Indonesia GCF country programme, which is specifically focusing on:

- Harmonizing international climate finance and Indonesia's priority fiscal and development policies
- Identifying the relevant financial gaps and ensuring allocation of GCF funding in this direction

- Ensuring that proposed GCF projects/programmes in Indonesia include the required assessment of environmental and social safeguards and consider the promotion of green infrastructure, gender and equitable principles and to ensure they are driven by a robust and inclusive engagement process

No Objection Procedure

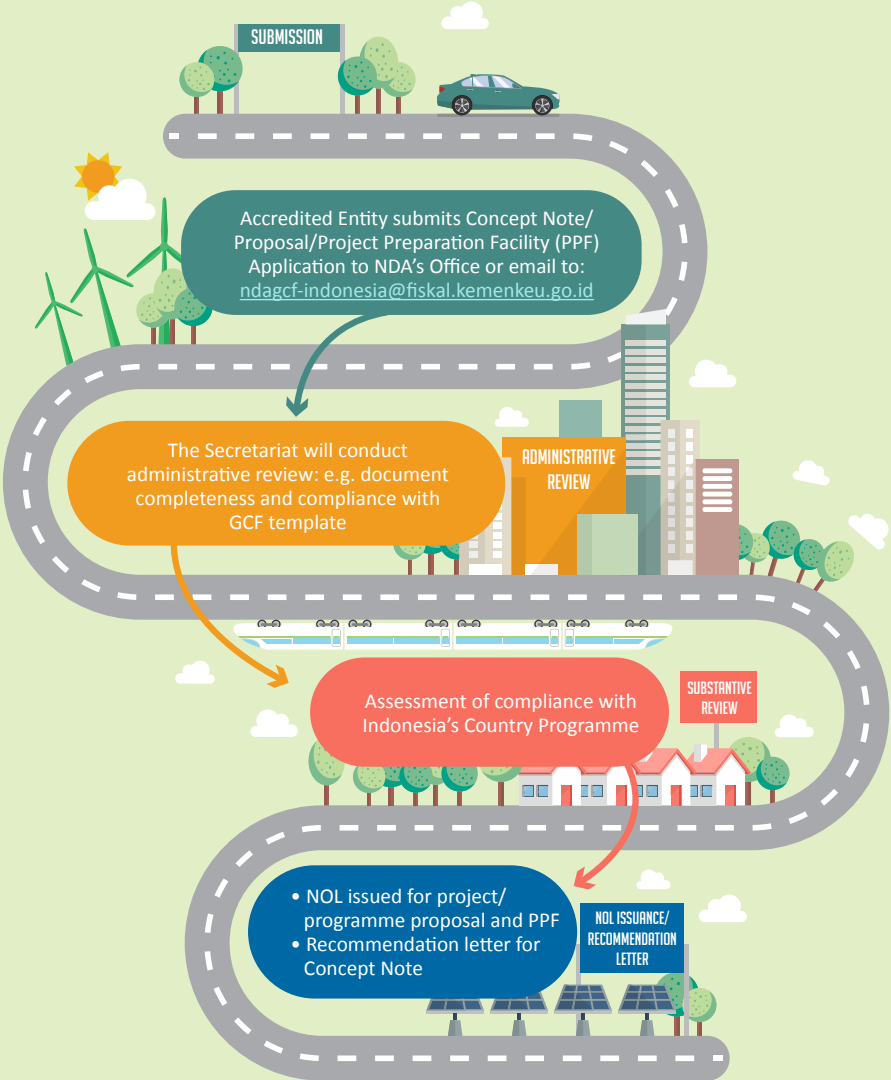
The purpose of the no-objection procedure is to ensure consistency with national climate strategies and plans and country-driven approach, and to provide for effective direct and indirect public and private sector financing by the GCF. Indonesia is in its process to finalize the nationally appropriate process for ascertaining no-objection to funding proposals according to the country's capacities and existing processes and institutions.

The GCF will only consider funding proposals accompanied in its submission with a No-Objection Letter (NOL), which is the result of a successful No Objection Procedure. Such a letter, the NOL, implies that:

- The government of Indonesia has no-objection to the project/programme as included in the funding proposal;
- The project/ programme as included in the funding proposal is in conformity with Indonesia's national priorities, strategies and plans;
- In accordance with the GCF's environmental and social safeguards, the project/programme as included in the funding proposal is in conformity with relevant national laws and regulations.

The steps to obtain a No-Objection Letter (NOL) are as follows:

Figure 9 No-Objection Letter (NOL) Issuance Process





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