

Development of Blended Finance Fora Framework



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

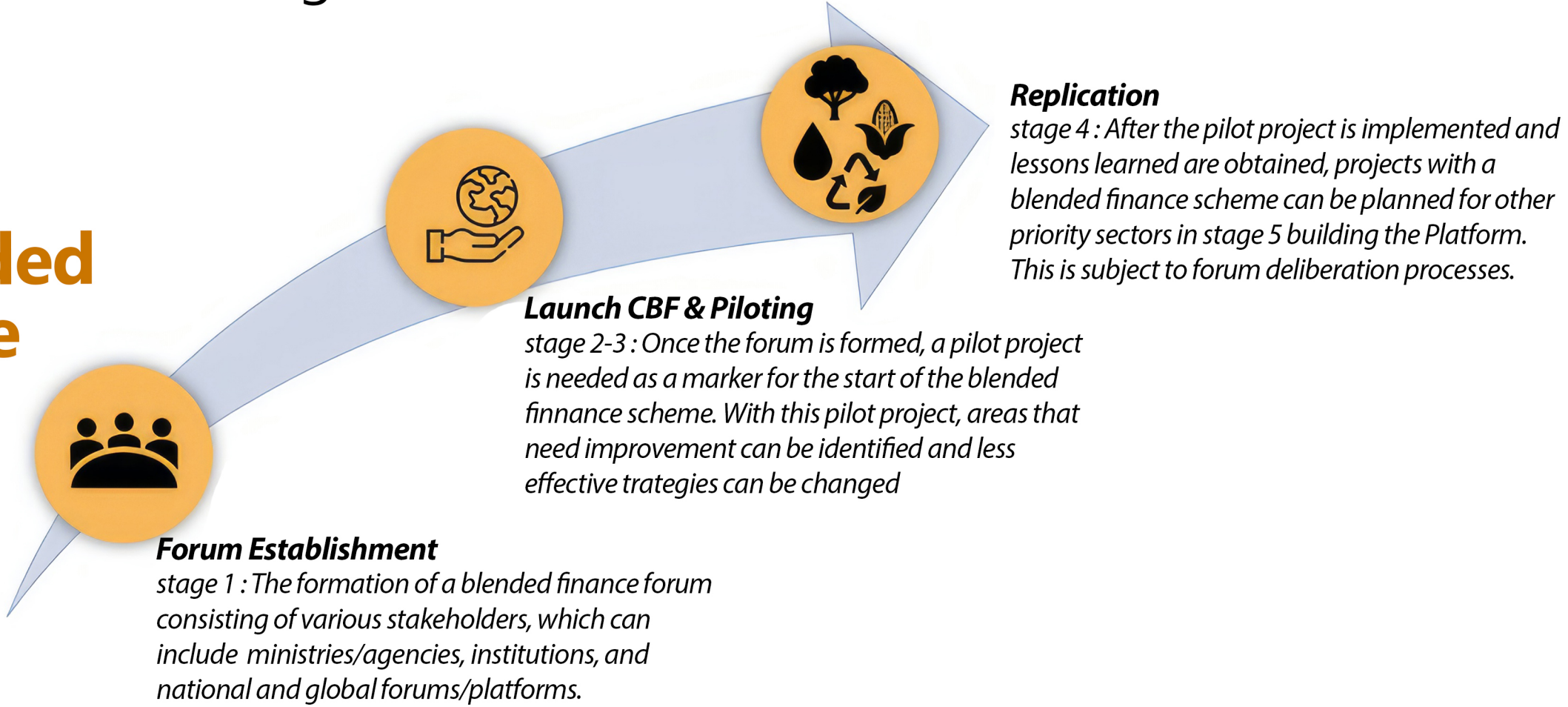


NDA
GCF
National Designated Authority
Green Climate Fund
Indonesia

Overview

Through the Green Climate Fund (GCF) Readiness Program, the Directorate General of Financial Sector Stability and Development, as Indonesia's National Designated Authority (NDA) to the GCF, has developed a Private Sector Engagement Strategy targeting key priority sectors: energy, forests and land use (FOLU), water, and food. To address the climate finance gap, the strategy introduces the Climate Blended Finance Forum, a platform that combines public and private investments while facilitating dialogue among regulators, private sector actors, and financial institutions. The forum aims to identify sector-specific challenges, financing needs, and potential blended finance solutions to mobilize greater investment for climate action.

Proposed Blended Finance Scheme Development



Identified Blended Finance Archetype for Renewable Energy in Indonesia

Renewable energy (RE) in Indonesia has gained traction despite pricing and regulatory challenges that will take time to resolve. RE projects, from small rural micro-hydro to large geothermal, progress through three stages: development, de-risking, and maturity, with investors seeking concessional instruments for larger capital needs. Similarly, Indonesia's water and wastewater sector is drawing interest due to climate risks and has strong blended finance potential through its well-established business model of local utilities with tariff-based income. However, both sectors face challenges related to pricing and regulation, which will require time to address.

Stage	Option 1	Option 2	Option 3
Development	Grant	Technical assistance	
	Loan	Loan	
	Equity	Equity	
De-Risking	Option 1	Option 2	Option 3
	Senior Debt	First tranche loss	Grant
	Credit enhancement	Equity	Loan
	Equity	Reimbursable grant	Equity
	Credit enhancement		
Maturing	Guarantee		
	Option 1	Option 2	Option 3
	Senior Debt	Convertible Loan	
	Co-financing	Equity	
Potential applicable case*	Guarantee		
	Solar farm, mini hydro, and medium-high risk projects	Geothermal, wind and hydrogen power and other medium high risk project	Rooftop/decentralized solar panel and low medium risk

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Identified Blended Finance Archetype in Indonesia for Sustainable Landscape

Blended finance is not widely preferred for sustainable landscape initiatives in Indonesia due to the lengthy land acquisition process. However, it is increasingly recognized by the private sector as a potential investment opportunity, driven by the opening of the carbon market to international buyers. Given the broad scope of sustainable landscape initiatives, the examples provided here are limited to initiatives by the Indonesia Environment Fund (*Badan Pengelola Dana Lingkungan Hidup/BPDLH*).

Seed-early	Development	Mature
Grant	Convertible loan	Structured loan
Technical assistance	Syndicated loan	Capacity building
Advisory & Consultancy for Preparation	Equity	Equity
Equity	Guarantee	
Potential applicable case* Small aquaculture, plastic waste reduction through bio-organic material	Potential applicable case* Integrated waste management system	Potential applicable case* Shrimp farming, peatland-based aquaculture, and another similar mature terrestrial and marine scope

Identified Blended Finance Archetype in Indonesia for Agriculture Commodity

Food and agriculture are key sectors given the size of their commodity markets. However, several barriers persist, including technological gaps, limited research and development in this sector, and long supply chains that hinder entry and scaling. Concessional finance instruments are commonly used to address these market failures. This analysis focuses on mature commodities such as palm oil, coffee, coconut, corn, and other prominent products.

Upstream	Downstream	Supply Chain Financing
Subsidy	Convertible loan	Supplier Financing
Technical assistance	Syndicated loan	Distributor Financing
Concessional Loan	Equity	Payable Financing
Stand by Letter of credit	Guarantee	Receivable Financing
Open Account Financing	Structure trade Finance	Financial Supply Chain Management
Potential applicable case* Sugar, Corn, Coffee	Potential applicable case* High Commodity-based industry	Potential applicable case* Any high-risk commodity-based supply chain

**The choice for the instrument depends on several criteria and risk appetite from the financiers/investors such as project risk appetite, Environment & Social risk due diligence, organization capacity due diligence, company and project IRR, interface risk, and other determining investment criteria stipulated by investor/financiers.*