



REPUBLIC OF INDONESIA

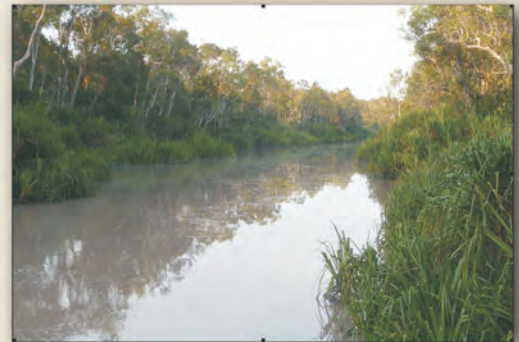


Indonesian Climate Change Trust Fund

ICCTF

Frequently Asked Questions

December 2009





The nationally-managed Indonesian Climate Change Trust Fund (ICCTF) aims to contribute effectively and efficiently to mainstreaming climate change issues in government and development partners planning and the implementation of climate change activities across Indonesia, by attracting, managing and mobilising finances that support the Government of Indonesia's (GOI) efforts to reduce emissions, move towards a low-carbon economy and adapt to the impact of climate change.

The ICCTF operates across 3 priority windows: energy, forestry/peatlands (mitigation) and focuses on adaptation and resilience initiatives in agriculture, health, coastal zone management and water resources.

These frequently asked questions (FAQs) have been put together for the purposes of COP15. The document has been authored by Badan Perencanaan dan Pembangunan Nasional (Indonesia's National Development Planning Agency/BAPPENAS).

ICCTF is still under development, so some information is still being determined. The information that is featured here is therefore subject to change. Please check www.icctf.or.id for further updates.

December 2009

How much money does ICCTF have behind it and where is the money coming from?

Currently, ICCTF has received £10million (US\$16.5million), provided by DfID, AusAID has provided AUD\$2million (US\$1.8million) to disperse to nationally identified priority projects. The Government of Indonesia (GOI) aims to build the ICCTF into a multi-billion dollar fund by attracting additional donor and private sector funding.

Over what time period will ICCTF operate?

ICCTF was soft launched in September 2009. It will become fully operational in early 2010 and plans to begin dispersing funds by mid-2010. It is designed as a long-term funding attraction and disbursement mechanism.

Who manages ICCTF?

Currently, ICCTF is managed by Badan Perencanaan dan Pembangunan Nasional (Indonesia's National Development Planning Agency/Bappenas). Its establishment is supported by a variety of donors, including GTZ, DfID, AFD, KfW and JICA.

It is anticipated that a dedicated team of national staff will manage the daily operation of the ICCTF, once established.

Who is the ICCTF Trustee? How were they selected?

The ICCTF Steering Committee, in coordination with the Ministry of Finance, is currently (December 2009) in the process of selecting a national Trustee. The Government of Indonesia has rigorous procurement statutes (Presidential Decree 80/2003) that govern this process. It is anticipated that the Trustee will be a national institution.

The national institution that will be selected as Trustee will need to fulfill the following criteria:

1. Registered in Indonesia
2. Be a credible, competent and well-recognised national institution

3. Demonstrate proven financial management capability, ie. Assets, Rate of Return (ROR), cash flow, Return on Investment (ROI)
4. Demonstrate adequate human resources capacity.

What is the management structure of the ICCTF?

The role of the Trustee is to manage the funds provided by fund contributors. The Trustee will be a national institution and will receive funds from development partners and other contributors and manage them for the purposes of ICCTF. It will report to the Steering Committee. The Trustee's main responsibilities are:

- Fiduciary responsibility (Contribution Agreements, Fiscal Agreements)
- Financial reporting (preparation and provision of unaudited statement of receipts and financial reports for the government and donor community)
- Oversight of ICCTF Secretariat to verify the soundness of the financial component of submitted projects and to ensure adherence to financial operational guidelines.
- Financial management and fiduciary monitoring of the funds of the trust and financial operations of the ICCTF Secretariat
- Responsible for establishing and maintaining records and accounts to identify contributions
- Disbursement of funds
- Oversight of the procurement process

What is ICCTF's goal and purpose?

The **goal** of the ICCTF is to support the GOI's efforts to reduce emissions, move towards a low-carbon economy and adapt to the impact of climate change.

The **purpose** of the ICCTF is to attract, manage and mobilise funding to contribute efficiently and effectively to 1) the mainstreaming of climate change issues in

national, provincial and local development planning and 2) the implementation of mitigation and adaptation climate change initiatives.

The nationally-managed ICCTF operates across 3 priority mitigation windows: energy, forestry and resilience and focuses on adaptation initiatives in agriculture, health, coastal zone management and water resources.

The ICCTF is designed to

1. accelerate priority investment in climate change mitigation and adaptation to support action which the GOI cannot fully support by its own means, including acting as a financial portal to receive and distribute funds from other international Trust Funds, initiatives and other climate change funding mechanisms (Adaptation Fund, EU Global Efficiency and Renewable Energy Fund, REDD etc);
2. pool donor resources to support a mutually-agreed portfolio of projects and programmes;
3. serve as a forum for donor coordination in climate change;
4. promote bottom-up and demand-driven development of climate change initiatives that are eligible for financing;
5. partner with and link government and non-government agencies;
6. support policy dialogue and share climate change progress reports among the international community, civil society and GOI;
7. direct funds through the GOI's budget wherever effective; and
8. act as a capacity builder of both stakeholders and other institutions/actors to increase the impact on climate change.

What are the ICCTF's priority areas for funding?

The ICCTF has 3 priority windows: energy, forestry/peatlands and resilience.

These windows may expand or change over the lifespan of the Fund, depending on emerging priorities and as approved by the Advisory Board, Technical Committee and Steering Committees.

OUTCOME 1 – ENERGY

The ICCTF aims to contribute to the improvement of energy security in Indonesia and reduction of emissions from the energy sector.

Two implementation strategies are defined to achieve this outcome:

1. To facilitate decision making and financing of deploying and implementing low and zero carbon technologies

(e.g.: feasibility studies, support regulatory/policy making, pilot projects for new technologies/renewable energy, shifting demand loads, providing small amounts of equity, integrating CC into decision-making, tariff restructuring; building awareness)

2. To promote and enhance the implementation of energy efficiency and conservation

(e.g.: benchmarking, building codes, energy labeling, Investment bucket for uptake of new energy- efficient technologies, energy service, behaviour change support, policy measures and instruments)

Energy security means: security of sustainable energy supplies, diversity of energy mix, sufficient capacity: (peak capacity +20%), security of infrastructure: duplication of critical equipment, stability and diversity of suppliers, security of revenue, affordable prices, access to new reserves: ongoing exploration, risk resilience: storms, terrorism, climate change, self sufficiency, energy efficiency

OUTCOME 2 - FORESTRY /PEAT LANDS

The ICCTF aims to contribute to address deforestation and forest degradation issues and to advance sustainable management of peatlands and forest resources.

Two implementation strategies are defined to achieve this outcome:

1. To support the national REDD Indonesia strategy and other initiatives, with a focus on peatlands

(e.g.: demonstration activities, support to the REDD readiness phase, REL, REDD monitoring system, REDD demonstration activities, implementation/testing strategies for restoration and sustainable management of peatlands, shifting (land use) from peatlands to migrated mineral soils, defining the finance mechanism and models at all levels, development of reform-related development policy tools, management of protected areas)

2. To contribute to the absorption increase of GHG (sink enhancement)

(e.g. forest and land rehabilitation, better management of production forest, improved management of better forest functions, incentives for forest certification, combating illegal logging, controlling of forest fires)

OUTCOME 3 – RESILIENCE

The ICCTF aims to contribute to responding to the adverse impacts of and risks posed by climate change that are already occurring, while at the same time preparing for future impacts through adaptation planning, cross cutting and inter-sectoral measures.

Adaptation initiatives are focused on agriculture, health, water resources, and coastal zone management.

Two implementation strategies are defined to achieve this outcome:

1. To contribute to increasing Indonesian's adaptive capacity at national, provincial and local level

(eg.: reducing disaster risks, integrated spatial planning, data and information management, awareness raising and capacity building)

2. To support the GOI in building a climate resilient economy

(eg.: building economic diversification, integrated policy responses to climate change and development challenges)

Will the ICCTF become the only funding mechanism/option to finance climate change related activities in Indonesia?

No. The ICCTF is one of the financing options. Development partners may contribute through the existing cooperation channels such as bilateral or multi-lateral cooperation. However, it is recommended that development partners contribute to the ICCTF to streamline all efforts leading towards the same national and global climate change objectives.

Where will ICCTF's funding come from?

Co-financing will be applicable for many projects. Indonesia's reduction target of 26% requires substantial investment. The GOI anticipates only part of that will be covered by donor money or later financial initiatives under or outside the UNFCCC.

What policy frameworks have been used to design the ICCTF and its priority outcomes?

The nominated outcomes of ICCTF have been informed by several policy documents including the Yellow Book (2008), the Annual Government Workplan 2009, the Policy Matrix for Climate Change (designed for the Climate Change Program Loan) and more recently the 2010-2014 National Mid-Term Development Plan and 20 Years Climate Change Sectoral Roadmap. The ICCTF Strategy Paper, and ICCTF project eligibility criteria will guide future project-related decisions.

How will the ICCTF activities link with other climate change initiatives or projects in Indonesia?

There are several climate change-related initiatives operating in Indonesia, such as Clean Development Mechanism (CDM) projects or REDD demonstration activities and ongoing vulnerability assessments. The ICCTF is considering how it will strengthen and support the achievement of current initiatives.

How does the funding process work?

There are two stages in applying for funding. First, you need to submit a Concept Note (available on the ICCTF website). Guidance notes are provided to help applicants answer each question fully. The fully completed Concept Note form must not exceed 4 pages.

If ICCTF rates the Concept Note as a good fit with its strategic priorities and the selection criteria, you will be invited to submit a more detailed proposal, or a Full Application (the second stage).

If you are selected to submit a full proposal, ICCTF's Secretariat (or Project Management/Proposal Development Unit) will be available to help you in preparing your proposal.

Funding is disbursed in tranches as per agreed milestones and may be disbursed throughout the year.

How will the ICCTF evolve?

The first iteration of the ICCTF is focused on innovation in climate change. Appropriately then, the first phase of ICCTF is called the 'Innovation Fund'. This fund will receive grant funds from development partners and other contributors to be used for activities that provide indirect economic and social benefits and will not provide any direct financial return to the participants. In this phase the ICCTF grant fund recipients will primarily be Government Ministries (national, provincial and local), NGOs and civil society.

It is anticipated that the ICCTF will establish a 'Transformation Fund' mechanism, which will access funding through private-public partnerships, loans and the world capital market. It might also be possible to derive potential benefits from the carbon trading/carbon finance market. The objective of the 'Transformation Fund' would be to mobilise and maximise investment in a low-carbon economic development path.

What initiatives will not be funded by the ICCTF?

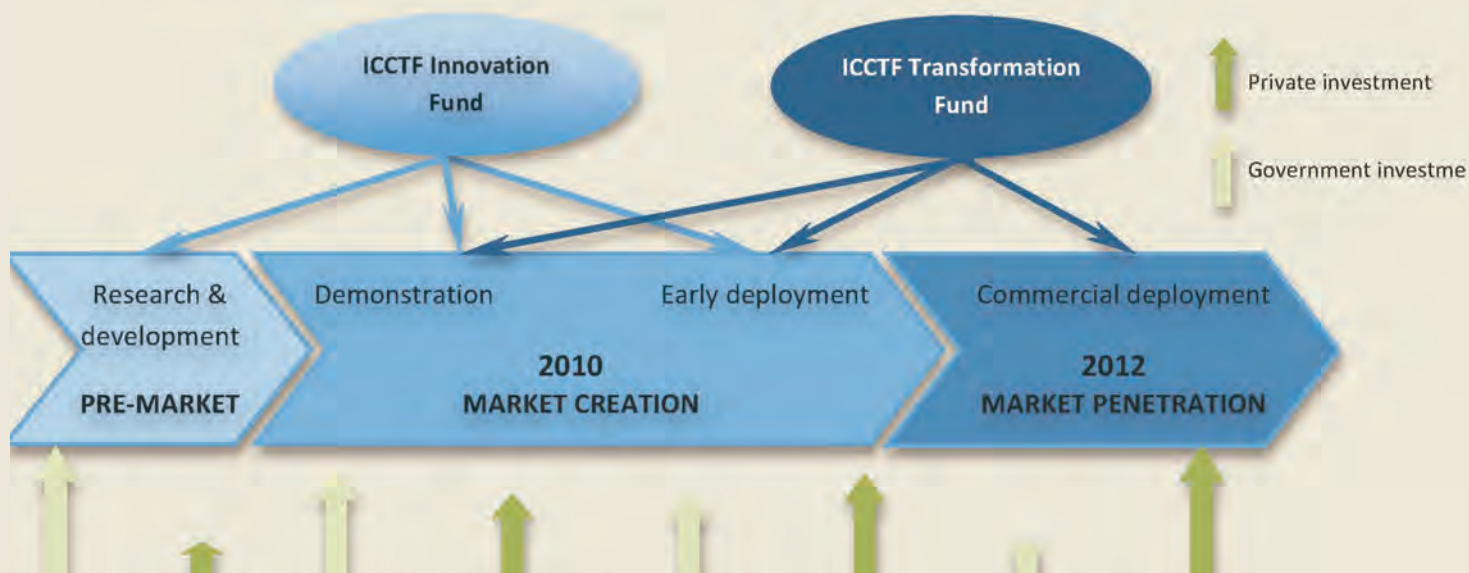
Whilst the ICCTF will fund pilot and demonstration infrastructure projects, the Innovation Fund (Phase one of the ICCTF) will not fund direct investment in large-scale infrastructure projects and will not provide direct capital investment.

The Transformation Fund may invest in large-scale infrastructure investments.

How do I apply?

Complete the Concept Note in accordance with the instructions and submit an electronic version to application@icctf.or.id if possible (an online template will be available for download on the ICCTF website in due course), or deliver a hardcopy to the ICCTF office. Applications will be required in both English and Indonesian.

Figure 1: Planned evolution of ICCTF Innovation and Transformation Funds



Who can apply?

For the Innovation Fund phase of ICCTF, our priority is line Ministries – in accordance with current GOI regulations. NGOs, civil society and the private sector may form a consortium with line Ministries for the purposes of project development and delivery, but a line Ministry must be the applying body.

In the Transformation Fund phase, Indonesian-registered businesses, Government Ministries, NGOs and civil society organisations will be targeted.

All applications relating to the core business of the Government of Indonesia must have the Government as the primary applicant, but can be supported by third parties.

What criteria is used to make a funding decision?

ICCTF will use the criteria below to make a preliminary assessment of whether a Concept Note and the applicant individual/organisation(s) are eligible for ICCTF funding.

The key criteria (still to be approved) are the Concept Note's:

- fit with the priority outcomes of the ICCTF's windows;
- likelihood of being successfully implemented (viability); and
- measurable impact as related to the ICCTF's purpose: to mainstream climate change issues and deliver mitigation and adaptation activities

At the **Full Application** stage, the selection/evaluation process is carried out by the Advisory Board to the Steering Committee (Advisory Board) with the assistance of independent experts in the Technical Committee. The selection/evaluation will be carried out according to the following General Principles (still to be approved):

- **Objectivity.** All award criteria will be assessed by at least two different technical evaluators and secondly approved by the members of the Advisory Board. Preferably, the technical evaluators will have the technical know-

how in the proposed area of activity under each funding window.

- **Equal treatment.** Every Full Application will be subject to the same process.
- **No pre-allocation of funds per Ministry or Policy Group.** Only merit and availability of resources will condition the funding of the received proposals.

The evaluation procedure is divided into several stages, according to the type of criteria assessed and the evaluators:

ELIGIBILITY AND SELECTION

Proposals are first evaluated on the eligibility and the selection criteria. These include:

- The formal eligibility of the Full Application, which is initially verified by the ICCTF Secretariat.
- Compliance with the selection criteria, which is conducted by the ICCTF Secretariats services on the basis of the following criteria: legal, financial and technical soundness of the Full Application and compliance with ICCTF regulations.

EVALUATION PHASE (AWARD CRITERIA)

The Award Process is divided into two phases.

FIRST PHASE: TECHNICAL EVALUATION

Full Applications satisfying the eligibility and selection criteria are then passed to the Advisory Board, with relevant technical expertise sourced from the Technical Committee for assessment on the basis of the following award criteria (still to be fully developed and approved):

- Criteria 1: Innovative nature and progress. Technical feasibility;
- Criteria 2: Transferability of results. Pilot or demonstration character in Climate Change mitigation/adaptation of the project and dissemination.

SECOND PHASE: QUALITY AND NATIONAL RELEVANCE & IMPACT

The proposals in the restricted list will be evaluated and scored by the specific

evaluators from the Technical Committee on the basis of the following award criteria:

- Criteria 3: Coherence (i.e. with the Roadmap or other national priorities) and quality. Integration;
- Criteria 4: Financial coherence and quality;
- Criteria 5: Community relevance and urgency of climate change issue;

Additional criteria are currently under discussion. (e.g. job creation, risk level)

CONCLUSION OF Full Application EVALUATION PHASE

The best projects are decided by the Advisory Board and awarded the maximum amount of funding available.

How long will it take for funds to be dispersed?

ICCTF prides itself on being a responsive, fast-moving facility and will aim to process concept notes within 6 weeks from the date of receiving the initial idea.

If a project then proceeds to Full Application stage and is approved, the ICCTF Secretariat will prepare a grant contract which will set out all payment terms.

Grant payments will normally be paid in tranches at pre-agreed project milestones.

Is the ICCTF a grant or loan facility?

The Innovation Fund of the ICCTF will operate as a grant facility, making funds available for projects that will contribute efficiently and effectively to 1) the mainstreaming of climate change issues in national, provincial and local development planning and 2) the implementation of mitigation and adaptation climate change initiatives.

Do I have to pay the money back?

Funding is provided as a grant. It does not have to be paid back, unless there is an unspent portion at the end of the grant period or if the project is cancelled. If there is unspent money or if the project is cancelled, then funds should immediately be returned to ICCTF.

Is there a minimum or maximum amount that ICCTF can provide for a specific project?

There is no minimum or maximum amount of funding available, but ICCTF wishes to make as much difference as possible across Indonesia.

Will ICCTF fund projects that are submitted by consortia and/or partly funded by other entities?

Yes; ICCTF is very supportive of partnership and consortium approaches and will fund projects that are partly funded by other entities, provided they meet all the eligibility criteria.

Can we re-apply in the future?

Yes; if you were unsuccessful then you may submit other Concept Notes for consideration.

If you have already had a project successfully funded by ICCTF and have other ideas, you may also submit other Concept Notes for consideration.

Can I make a profit as part of receiving ICCTF support?

In the Transformation Fund phase, if profit-making is supportive of a project's sustainability, then ICCTF would be delighted to see a successful project not only being good for our future but also creating growth in Indonesia.

However, ICCTF will not fund a project that will give a business an unfair competitive advantage over another business.

What regions or provinces of Indonesia are priorities for ICCTF?

ICCTF is looking to support mitigation activities across energy, forestry and resilience and adaptation initiatives in agriculture, health, coastal zone management and water resources across Indonesia. The ICCTF will seek to disburse funds to areas of greatest vulnerability, whilst ensuring equitable access to finance throughout Indonesia.

Is this a new idea? Are there examples of other climate change trust funds?

There are some similar funds set up in other regions currently working to mitigate and adapt to climate change in developing and developed countries. For example, the Amazon Fund of Brazil and the Bangladesh Multi Donor Trust Fund for Climate Change.

How will the success of ICCTF be measured?

A 'results framework' will be established as the building block for a future robust M&E system, underpinned with defensible performance indicators.

ICCTF's Monitoring and Evaluation team will assess the impact of each project. Members of the Advisory Board, Steering Committee and the Secretariat shall be invited to join regular supervision missions of the funded projects. Each project will be visited at least twice a year.

A regular system of more in-depth external evaluations at the project and system level of the ICCTF should be jointly undertaken by the contributors/donors and financed with support and coordination of the ICCTF Secretariat.

Where projects are two years and longer, projects shall be subject to monitoring and evaluation at mid-term and closure by an independent entity engaged by the Secretariat and acceptable to the Implementing Partner.

Each Implementing Partner will submit both hard and soft (electronic) copies of reports on physical progress, and on achieving results, to the Steering Committee through the Secretariat at least every three months.

The Implementing Partner has the responsibility to set up a functional M&E system before the project starts. This will be approved by the M&E section in the Secretariat to ensure that baseline data, progress and performance indicators as well as future reporting demands of the ICCTF are met.

Reports on financial progress will be provided by the Implementing Partner to the ICCTF

Secretariat at least every three months. The Secretariat will provide templates so that data is provided to the Secretariat in a format suitable for its subsequent analysis and evaluation.

Where can I find the application paperwork and can anyone help me fill it in?

In due course, paperwork will be able to be downloaded from the ICCTF website (www.icctf.or.id) where you will also find detailed instructions on how to complete the forms.

I represent a potential donor, who do I contact for more information or to discuss a possible partnership?

Eventually you will be able to find information in the Contributors' section of the ICCTF website (www.icctf.or.id/contributors). At this stage however, you should feel free to make an appointment to speak with the Head of the ICCTF Secretariat on +62 (0) 21 390 0412 or email secretariat@icctf.or.id



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