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Climate Finance in Indonesia: Lessons for the Future of Public Finance for Climate Change Mitigation

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1. Introduction

International finance for climate change is high on the agenda of the international climate negotiations, and has become an important barometer for how rich countries with high historical emissions will help developing countries shift away from carbon-intensive development to lower carbon development pathways. The Copenhagen Accord provides an indication of political consensus on the need to deliver finance to developing countries, and concretely states that developed countries should provide new and additional resources for developing countries approaching US$30 billion for the period 2010-2012 and that longer term funding should come from both public and private sources to mobilise US$100 billion per year by 2020 (UNFCCC, 2009). This has been further reaffirmed by the Cancun Agreement in December 2010, which provides more concrete details of financial pledges in 2020 and the global Green Climate Fund as a financial mechanism. Around the world, stakeholders are increasingly grappling with questions around climate finance[1]. These include questions such as: How should international financial flows for climate change be defined? What is the appropriateness of different mechanisms for delivering finance? How can foreign resources be appropriately coordinated and aligned with national institutions? And above all, how can financing to address climate change be delivered to countries and within countries in the most effective way?

The international debate often lacks the evidence of what is happening 'on the ground', and recommendations for future action are often made without the proper knowledge of what the current situation is, what currently works and what doesn't work, and what needs to be addressed within countries. However, an evidence base is beginning to form (see for example World Bank, 2010b; Zadek, S., Forstater, M., Polacow, F., 2010; Ruhweza, A; 2009; OECD, 2009). One of the main concerns is that that lessons from the aid effectiveness agenda will not be taken on board in the delivery of climate finance (Bird and Brown, 2010). For example, there are concerns that the large volumes of finance will be uncoordinated, not owned by governments, and poorly aligned with government systems.

[1] See Annex I for definition of climate finance.

From this starting point, this working paper[2] draws early lessons from Indonesia as a national case study to help inform some of these debates at the international level. Indonesia is a useful case study for several reasons:

- Indonesia is the 4th largest greenhouse gas (GHG) emitter globally, and is now leading the way as one of the first non-Annex I countries to make a significant voluntary commitment to cut its national greenhouse gas emissions by 26% (unilaterally) and 41% (with support from the international community) by 2020.
- Indonesia is playing a strategic role as part of the G20 and, as a middle income country, it could be argued that it has an important responsibility in balancing development and emissions reductions priorities.
- Indonesia is already receiving substantial financial pledges and commitments for climate change responses, provided by bilateral and multilateral donors and development banks around the world (see Donor Mapping Table in Annex II for more detail).
- New financial mechanisms have been created to address climate change issues. Of particular interest is the role of the recently developed Indonesian Climate Change Trust Fund (ICCTF). At the international level this is being looked to as a potential model for national funding given the importance of such national entities to lead towards a new paradigm of global cooperation to address climate change - one which is focused on 'devolution' of funding decisions and national ownership (see Gomez-Echeverri, 2010a). Additionally, Indonesia is getting considerable international attention due to the recent announcement of the Norway-Indonesia partnership (often referred to as the Letter of Intent, LOI) to support Indonesia's efforts to reduce greenhouse gas emissions from deforestation and degradation of forests and peat lands (REDD+). Norway has agreed to provide US$1 billion depending on Indonesia's performance, over the next 7-8 years.

The study provides a snapshot of climate finance in Indonesia and offers lessons regarding the effectiveness of international support for climate change at the national level. Lessons can then be applied in the future for

[2] This paper is part of an FP7 (Framework Programme 7) project funded by the European Commission (see www.edc2020.eu for more information on the project). The paper builds on significant work within ODI on the delivery of public environmental finance in developing countries. ODI is also heavily engaged in debates about climate finance, conducting research and tracking climate finance flows through the 'climate funds update' initiative (www.climatefundsupdate.org). The findings of this report are based on in-country research carried out in October-November 2010 in Indonesia, based on key informant interviews with donors, policy officials, and NGOs. This research was complemented by a review of recent literature on climate change financing in Indonesia, national country action plans on climate change, and a review of other more general studies on climate change finance. The views expressed in this paper are those of the authors and not those of ODI in general. The authors would like to thank Adrian Wells, Athena Ronquillo-Ballesteros, Tom Mitchell, Heiner von Luepke and Fabian Schmidt for their detailed review.

international development cooperation in terms of providing finance to address climate change. In particular, we examine:

1. How is international public finance to support climate change mitigation responses being delivered in Indonesia?
2. What are the strengths and weaknesses of the current approach from a climate change mitigation perspective?
3. What implications do international public climate change finance flows raise from an aid effectiveness perspective (particularly the coordination and alignment of finance[3])?
4. Does the climate change agenda raise new financing challenges?

The target audience for the study is policy makers involved in development cooperation and climate change policy design. It will also help to inform developing country governments and civil society organizations involved in debates about climate change finance.

Given that in-country assessments of climate finance are a new area of study internationally, there is limited peer-reviewed literature to draw on. This paper is a scoping report drawing heavily on in-country interviews and the opinions of interviewees.

Structure of the report

The paper is divided into the six sections. Section 1 provides the introduction and the context, and Section 2 provides a brief research methodology. Section 3 gives a summary of the evolution of Indonesian climate change policy. Section 4 provides a 'map' of the actors and institutions supporting climate change activities in Indonesia (primarily focused on bilateral and multilateral donor agencies and development banks), the different channels and recipients of support, and the scale of support. Mapping out this financial landscape provides some initial insights into the role of international finance in addressing climate change in Indonesia. Based on the mapping and the interviews carried out, section 5 provides an analysis which discusses the strengths and weaknesses of the different financial modalities; what implications arise from an aid effectiveness perspective; and whether the climate change agenda raises new financing challenges. The conclusions in Section 6 consider the role of public international finance in the period to 2020 and lessons for future financial planning.

[3] See Annex I for definitions of mitigation, REDD+, aid effectiveness, coordination and alignment.

2. Methodology

The findings presented in the paper have been gathered through the following process.

A literature review was carried out covering: recent research at the international level on aspects of climate change finance and its links to development cooperation (e.g. Bird and Brown, 2010); key literature on aid effectiveness internationally and in Indonesia; recent reports on climate finance in Indonesia (e.g. Climate Finance Alliance, 2010); and a review of key Indonesian and country specific donor policies on climate change. This was supplemented by initial discussion with key informants familiar with the Indonesian context to identify key issues to be explored in more detail.

Through this process a list of further Indonesia-based key informants in bilateral and multilateral donor organisations, government and civil society organisations was developed along with a semi-structured questionnaire. Interviews were then carried out with 32 key informants in Indonesia in October-November 2010 by two ODI researchers – one an expert on climate finance and the other an expert on climate change mitigation policy, particularly REDD+. Please refer to Annex III for the full list of interviewees. In order to retain anonymity, statements or information provided by respondents has not been attributed to individuals.

The initial aim of the analysis was to develop a comprehensive map of the main financing mechanisms and flows (presented in section 4). Using responses from interviews and drawing comparisons to the wider debates about climate change financing and aid effectiveness, some of the insights from this map are further analysed in order to understand some of the implications of public international finance for climate change.

The interview process focused primarily on donor agencies actively involved in providing climate change finance in Indonesia.

3. Indonesia‘s climate change policy

Indonesia’s commitment to climate change action has been increasingly evident since 2007, when the country hosted the UNFCCC 13th Conference of the Parties in Bali and a high level meeting of Finance Ministers and published its National Action Plan Addressing Climate Change (NAP) (Republic of Indonesia, 2007). The NAP is intended to provide a guide to be used by the Government of Indonesia (GoI) for a coordinated and integrated approach to addressing climate change. The NAP includes regulatory efforts to be implemented for tackling climate change across sectors for both short and long term implementation.

In 2008, Indonesia created a new institution to serve as the primary body for policy coordination on climate change. It issued a Presidential Decree (No. 48/2008) for the establishment of a National Council on Climate Change (NCCC), (or Dewan Nasional Perubahan Iklim (DNPI) in Indonesian), chaired by the President (with Coordinating Ministers for Economic Affairs and for People‘s Welfare serving as vice-chairs, with 16 cabinet ministers and the Head of Meteorology, Climatology and Geophysics as council members). The Council has an Operating Secretariat and several working groups tasked to various topics, such as mitigation, adaptation, financial mechanism and technology transfer. The NCCC is meant to serve as Indonesia‘s national focal point on climate change and as the lead in formulating national policy, strategy and programs, and to coordinate all policy implementation related to climate control. In addition to the NCCC, a REDD Commission was established under the Ministry of Forestry, specifically mandated to manage the implementation of REDD+. From the outset, it was not clear how the REDD Commission related to the NAP or the NCCC.

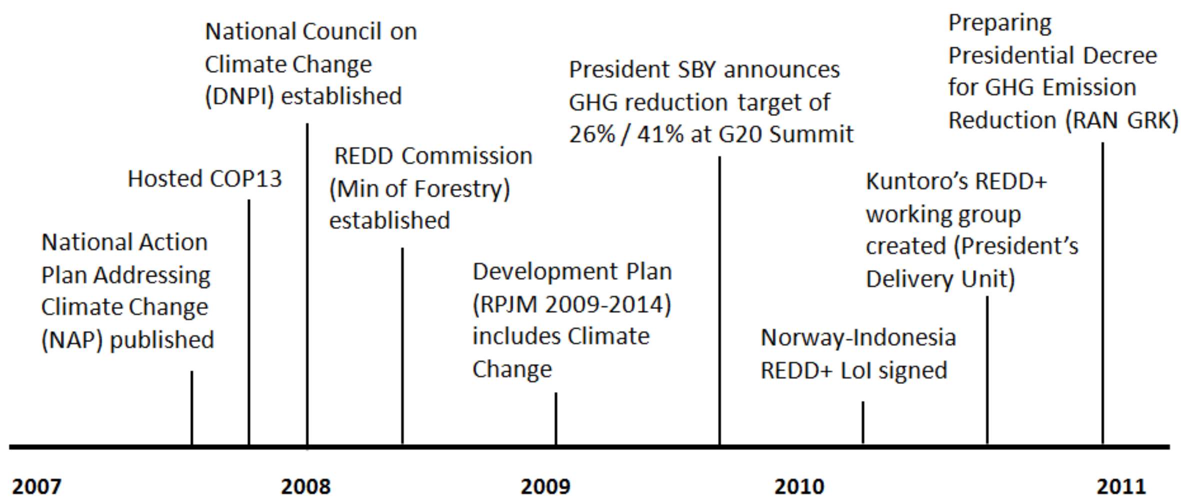
The effectiveness of both NCCC and the REDD Commission, in relation to their authority and coordinating roles, are largely untested. The commitment of the different government agencies involved in the Council and REDD Committee is dependent on – and often limited by – the formal mandate they have. Coordination across government agencies, and coordination between central, provincial and district governments remains a massive challenge for Indonesia (Angelsen, et al, 2009). The role of decentralisation in the government, where district and provincial government have increased power and autonomy in decision making, has added to the complexities of coordination and leadership.

Efforts are being made to integrate climate change into national policy processes. For example, the most recent Medium Term Development Plan (BAPPENAS, 2009) includes climate change as a cross-cutting issue and identifies mitigation in the land use sector, adaptation particularly in agriculture and coastal sectors, and development of institutional capacity to address climate change, as key priorities.

In October 2009 at the G20 summit, President Susilo Bambang Yudhoyono (commonly referred to as 'SBY') committed to reducing Indonesia's CO_2 emissions by 26% against a business-as-usual trajectory using domestic resources, and by 41% if developed nations give financial support, by 2020. This is the largest absolute reduction commitment made by any developing country and Indonesia has received international praise for this move. GoI is now in the process of declaring a Presidential Decree in response to this announcement, known as the Decree for GHG Emission Reduction (Rencana Aksi Nasional Penurunan Emisi Gas Rumah Kaca/ RAN GRK). The Decree is coordinated and written by Indonesia's National Planning Agency (BAPPENAS). Indonesia's nationally appropriate mitigation actions (NAMAs), a set of planned policies and actions to reduce greenhouse gas emissions under the UNFCCC, is planned to be developed within the framework of the Decree.

Because Indonesia is an important country in terms of its abatement potential, and as a result of SBY's emission reduction pledge and other significant steps being made to concretely address climate change, donors from around the globe are approaching Indonesia with their financial and political support. Many donors are focused in particular on supporting REDD+, given that the abatement potential from REDD+ for Indonesia is large – roughly 80% (NCCC, 2009) - compared to other sectors. While some donors have been active in the field of sustainable forest management for quite some time in the country (DFID, KFW, GTZ, AusAID, and others), donors are renewing their commitments to increase the focus on REDD+, and are beginning to tackle mitigation more broadly. Norway's US$1 billion commitment and the LOI has triggered the establishment of a special REDD+ working group under the President's office, within the President's Delivery Unit for Development Monitoring and Oversight, (this is explained on page 14). It is still unclear what impact the leadership from the new REDD+ working group will have on the NCCC, but it is clear that group will override the Ministry of Forestry's REDD Commission.

Figure 1: Timeline of Indonesia's climate change policy developments



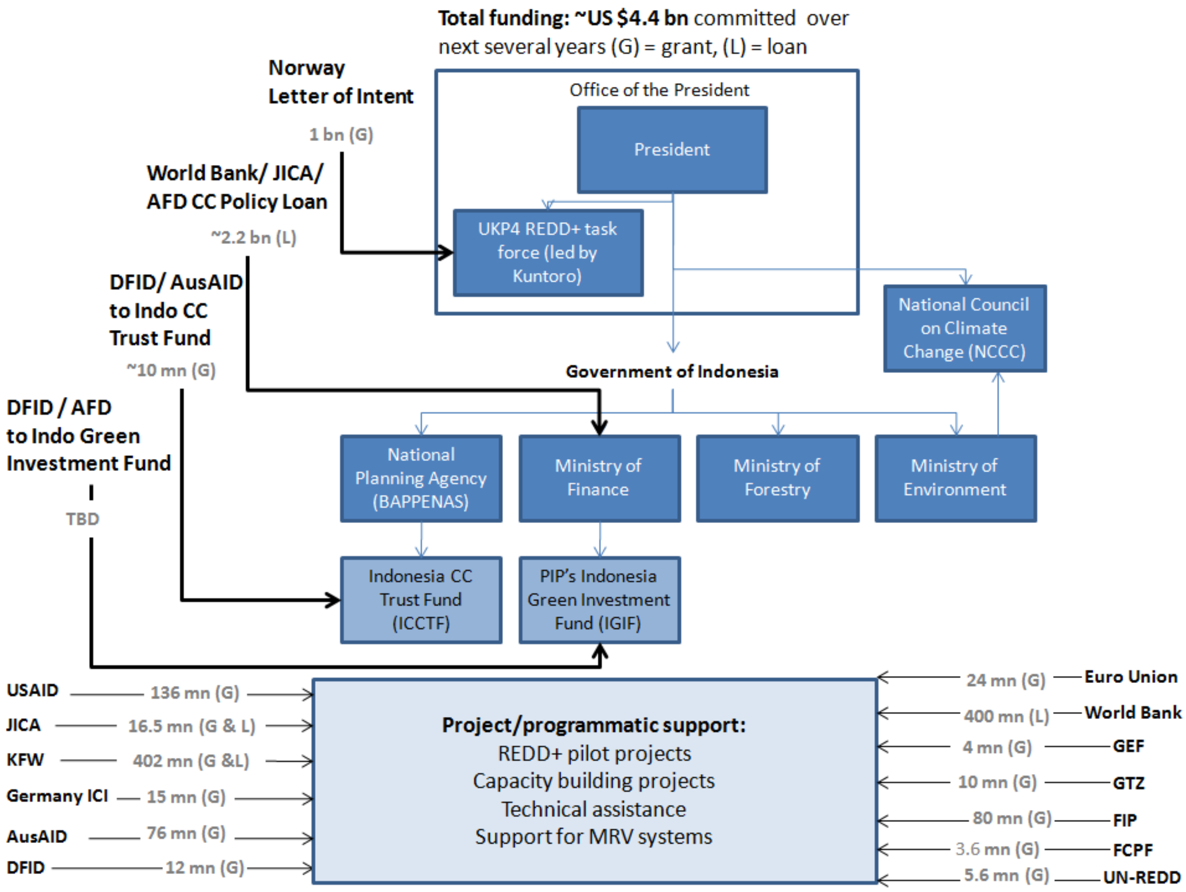
Source: Author

4. Mapping international public financial flows for climate change action

Within international debate, financial pledges of support from donors are lauded and congratulated for responding to the UNFCCC principle of 'responsibility and capability to pay' (Bird and Brown, 2010). However, this discussion often occurs without a real understanding of how funds are being spent, and the different financial modalities employed. A better understanding of activities in-country will further the international debate away from a simple focus on pledges, commitments and costs (which in any case are often political in nature and/or responding to global economic cost assessments that may not always represent real costs on the ground) to a deeper understanding of the impact and effectiveness of different financial mechanisms.

As a starting point, this section gives an overview of the donor-recipient landscape in Indonesia, and demonstrates the vast array of actors, institutions, modalities and funding channels in use and under development. Figure 2 shows an overarching map of climate finance flows, actors, and institutions.

Figure 2: National landscape of international public finance in Indonesia



Source: Author

Note: the arrows indicate the flow of finance from donor to recipient agency and/or project. For direct project/programmatic support, this often involves a range of different implementing agencies. November 2010 average exchange rates have been used (www.oanda.com).

Overview of financial flows and modalities

There are several donors operating in Indonesia[4]. Currently, committed and secured international financial support for climate change in Indonesia is approximately US$ 4.4[5] billion over the next several years. This roughly breaks down as US$ 2.94 billion in concessional loans, and US$ 1.44 billion in grants and technical assistance; US$ 3.48 billion in bilateral assistance and US$ 913 million in multilateral assistance. Future flows in support of climate change are likely to increase in the medium term, particularly in support for REDD+ and renewable energy and energy efficiency projects. Several additional pledges are in the pipeline, and could provide several billion dollars more *in addition* to the US$ 4.4 billion over the next few years. This includes pledges for the Indonesia Green Investment Fund (IGIF) which are likely to be significant; the US Millennium Challenge Corporation (MCC) which is poised to provide US$700 million in support for REDD in Indonesia; DFID's recent announcement of US$80 million in support for climate change, and others. The table below summarises the current financial commitments on climate change. Please visit Annex II for further detail.

Table 1: Summary of financial commitments to climate change (for details see Annex II)

Source	Amount (million US $)	Length of funding	type of finance
AFD	800	2008 – 2010	soft loans
World Bank	400	2010-2012	IBRD loan
World Bank	400	Unknown	soft loans
AusAID	2	2008 – 2012	grants
AusAID/IFCI	75.9	2007 – 2012	grants
JICA	1000	2008-2010	soft loans
JICA	16.5	2009-2014	mix grants and loans
USAID	136	2010- 2012	grants
Norway	1000	2010-2016	grants
DFID	2.4	Unknown	technical assistance

[4] Through direct interviews, this study has surveyed the European Commission, UK Department for International Development (DFID), Japan International Cooperation Agency (JICA), Germany's KFW and GTZ, the Agence Français du Développement (AFD), the World Bank, the International Finance Corporation (IFC), AusAID, US Agency for International Development (USAID), UN-REDD, and NORAD. This study also reviewed primary and secondary documentation from the German Ministry of Environment (BMU) and its International Climate Initiative (ICI), the US' Millennium Challenge Corporation (MCC), the Global Environment Facility (GEF), the Forest Carbon Partnership Facility (FCPF) and the Forest Investment Programme (FIP).

[5] While this figure does include a few regional projects by the European Union, the vast majority of support is targeted at Indonesia specifically.

DFID	17.9	2010-2011	grants
UN-REDD	5.6	2010	grants
FCPF	3.6	2010-2012	grants
FIP	80	2010-2012	grants
Germany (KFW)	68	2010-2015	grants
Germany (GTZ[6])	10	2010-2015	technical assistance
Germany (KFW)	332	2011-2017	soft loans
Germany (KFW)	2	Unknown	technical assistance
Germany (ICI)	15.35	2008-2011	grants
GEF	4	Unknown	grants
European Union	23.7	2007-2014	grants
Total	**$4.4 bn**		

In general, the financial flows can be divided into the following modalities, which are described below:

1. The Climate Change Programme Loan (CCPL)
2. The Indonesia Climate Change Trust Fund (ICCTF)
3. The Indonesia Green Investment Fund (IGIF)
4. Norway-Indonesia Letter of Intent (LOI)
5. Bilateral and Multilateral Project/Programme Support

Climate Change Programme Loan (CCPL)

The Climate Change Programme Loan (CCPL), sometimes called a Climate Change Development Policy Loan (CC DPL), is a concessional loan provided to the Government of Indonesia to support GOI's efforts to develop a lower carbon, more climate-resilient growth path. It focuses on mitigation, adaptation, and strengthening the institutions and cross-cutting policy framework needed for a successful climate change response. The CCPL has been jointly financed by Japan (JICA) and France (AFD) since 2008, recently joined by the World Bank in 2010, and is likely to be joined by other donor agencies in the near future. The policy loans are provided in single tranches disbursed annually and channelled through and managed by the Ministry of Finance, incorporated into the general budget to cover fiscal deficits of the GoI. The funding is considered 'on budget, on treasury' - disbursed directly to the government's finance ministry (or treasury), from which it goes, via normal government procedures, to the ministries, departments, or agencies responsible for

[6] Please note that as of 1st January 2011, GTZ has officially changed its name to GIZ: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

budget execution (CABRI, 2008). No funds are earmarked for any specific agency or ministry. Box 2 provides more detail regarding different disbursement channels for public finance.

Box 2: Disbursing public climate change finance: on or off budget and treasury?

Different disbursement channels can be used for public climate change finance in Indonesia, depending on the degree to which they are aligned with the budget and treasury.

According to Indonesian law, all international ODA flows must be 'on budget' – that is, all external financing is reported in the GoI's budget documentation and literally recorded on the budget (this should not be confused as a synonym for budget support – putting aid on budget has to do with how it gets reported versus budget support which is actually using government systems to integrate the external finance within the budget). However, finance can also be delivered 'On' or 'off' treasury. 'On treasury' refers to external financing that is disbursed into the main revenue funds of government and managed through government's systems (CABRI, 2008). The main rationale for putting aid on treasury is to support the government's financial management systems and capacity, reinforce financial discipline and generally build institutional effectiveness. Within 'on and off treasury', there are several different possible disbursement channels for climate finance, each which implies a different level of alignment with the Indonesian government system:

1. **On budget, on treasury:** Climate finance can be disbursed directly to the government's finance ministry (or treasury), from which it goes, via normal government procedures, to the ministries, departments, or agencies responsible for budget execution (CABRI, 2008). This is the disbursement approach undertaken with the CCPL. No funds are earmarked for any specific agency or ministry. Alternatively, climate finance can be disbursed directly to a particular ministry, agency, or department, and managed through special accounts outside of the regular government system (these funds, although held by a government body, do not follow normal government procedures). In this scenario, funds can either be considered on or off treasury. For example, donor support to the ICCTF falls under this category and is considered 'on budget, on treasury'. KFW's support to the Ministry of Finance (through their FORCLIME programme) is also considered 'on budget, on treasury'.
2. **On budget, off treasury:** Climate finance expenditure can be undertaken by the donor agency itself or by non-government agents on its behalf. Assets or services are delivered to the government in-kind, but the government does not handle the funds itself (CABRI, 2008). This is the approach taken by much of the bilateral project and programme support, such as that undertaken by AusAID, USAID, and Germany's ICI. This funding is considered 'on budget, off treasury'.

The loan does not translate into increased financial support for any specific line ministry addressing climate change, nor does it create climate change policy requirements beyond those already included in the GoI's National Action Plan Addressing Climate Change. However, it allows GoI to reduce its national deficit, thereby creating an incentive to adhere to the climate change policy processes they are already planning to carry out. In this way the policy reforms which are sought after are entirely detached from the financial support provided. The rationale for support is that there are some costs of adjustment associated with changing policies, and it is often easier to meet these costs through donor support than through changing domestic fiscal policies[7].

Through CCPLs, both donor partners and GoI jointly formulate a climate change policy action plan or 'matrix' based on the NAP and monitor the progress in implementation. Based on the results, another tranche of financial support can be provided by donors if requested by GoI. A "Steering Committee for the Climate Change Program Loan" is established to monitor the progress of policy actions in the policy matrix of this program loan and discuss unresolved issues in implementation. There is a "Joint Monitoring Meeting" held at most twice a year which allows donors and GoI to monitor and discuss the progress of the action plan.

Indonesia Climate Change Trust Fund (ICCTF)

Indonesia is one of the first countries in the world to establish a new national fund for organizing climate change finance, called the Indonesia Climate Change Trust Fund (ICCTF) (Gomez-Echeverri, 2010b). The ICCTF is the first Trust Fund to be managed solely by the GoI (others were managed in partnership with donor agencies). The Trust Fund has the objectives of aligning development assistance for climate change more closely with development priorities defined by GOI and to pool and coordinate grants for climate change related programmes.

According to Indonesia's National Planning Agency (BAPPENAS) the ICCTF was established with the idea that it would act as a place for donors making small financial pledges to pool resources for efficiency gains by reducing transaction costs. Currently DFID and AusAID are the only two financial supporters of the ICCTF, providing US$ 7.5 million and US$ 2 million, respectively. The Fund was never intended to replace any other modes of delivery, but simply to provide a separate conduit for support in addition to the others that exist.

The Trust Fund has been getting a lot of international attention (Gomez-Echeverri, 2010b; Caravani, Bird, Schalatek, 2010; Dommett, 2009; Simamora, 2008; Müller, 2009; Ballestros et al, 2009) as it is seen as a new model for how international support for climate change could be

[7] In general, programme loans (PLs) are used as a financing instrument to provide untied, quick-disbursing resources to governments through general budget support (GBS) using the government's own financial management and auditing systems, and goes directly towards balancing the government's bank account. While PLs for climate change are quite new, programme loans more generally came about around 2004, when the World Bank issued a new operational policy statement to replace structural adjustment lending (SAL) and its general prescriptive conditions on certain policy areas (such as privatization, financial sector reform, etc) (Sudo, et al., 2009). Programme loans explicitly support a set of policy or institutional reforms aimed at sustainable growth and poverty reduction, and are expected to reflect programmes that have been developed by the government itself.

delivered, moving towards increased national ownership where national funding entities are given a greater role in managing resources, identifying the priorities for support, and financial accountability. Donor support to the ICCTF is considered 'on budget, on treasury'.

The ICCTF is governed by a Steering Committee led by BAPPENAS for policy making and oversight, and a Technical Committee that includes members from the Ministry of Finance and BAPPENAS to evaluate project proposals in terms of eligibility, feasibility, sustainability and environmental impact. The Steering Committee has assigned UNDP as Interim Fund Manager. ICCTF is meant to have two discrete phases of operation: the first phase supports the Innovation Fund, a grant expenditure fund supporting climate change projects within line ministries not covered by the domestic budget; the second phase is planned to be a Transformation Fund, which is a revenue generating revolving investment fund. However, GoI recently established the Indonesia Green Investment Fund (IGIF, explained below) which will replace the ICCTF's Transformation Fund. While there has been some confusion regarding this institutional overlap, the move of the Transformation Fund to the IGIF has been made official policy and legalised by a decree issued by the Ministry of Finance.

The Steering Committee has recently announced support for three pilot projects under different GoI line ministries, supporting activities not covered by the GoI budget allocation (Box 3). With over 100 project applications, the initial stages of the ICCTF demonstrate demand for support from ministries.

Box 3: projects supported by the ICCTF

The ICCTF is currently funding three projects:

1. The Ministry of Industry is implementing a project called 'Implementation of Energy Conservation and CO2 Emission Reduction in Industrial Sector' which focuses on identifying energy saving opportunities in the Steel and Pulp and Paper Industry.
2. The Ministry of Agriculture is carrying out 'Research and Technology Development of Sustainable Peat Management' which focuses on the development of a study to contribute to the nationally appropriate mitigation action (NAMA) plan related to peat land management.
3. The Agency for Meteorology, Climatology and Geophysics (BMKG) is carrying out 'Public Awareness, Training and Education Program on Climate Change Issue for All Level of Societies in Mitigation and Adaptation' which aims to increase the awareness of the general public, and especially farming and fishing communities of the affects of climate change.

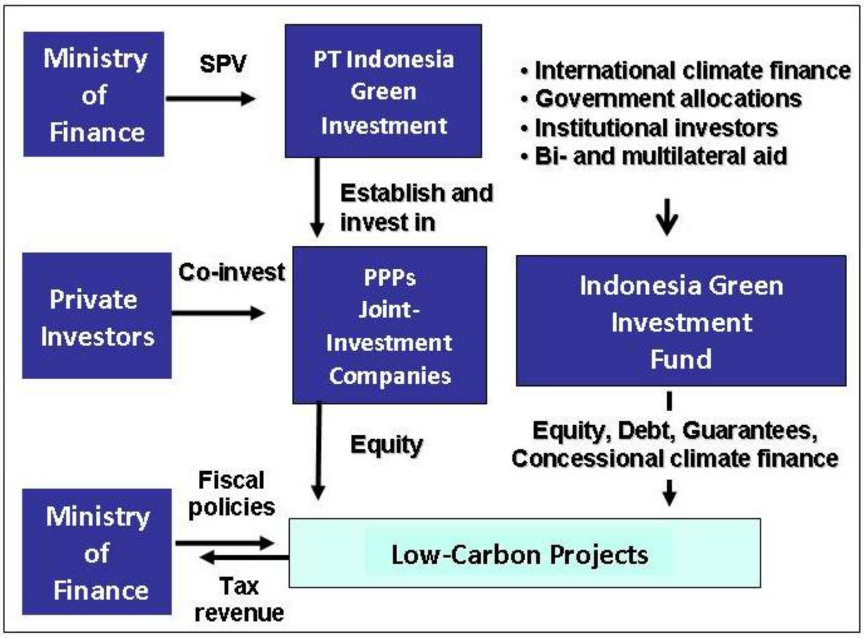
Indonesia Green Investment Fund (IGIF)

The government of Indonesia recently established the IGIF – a state-owned enterprise under the Ministry of Finance's Government Investment

Unit (Pusat Investasi Pemerintah, PIP). The PIP is a sovereign wealth fund managed by the Ministry of Finance. The main purpose of IGIF is to leverage private and market based sources of funding for low emissions development projects. It is designed to invest in a variety of asset classes such as equity, debt, infrastructure, and direct investments.

To date, GoI has allocated $400 million and will allocate another $100 million during this fiscal year to IGIF and its Special Purpose Vehicle 'PT Indonesia Green Investment' (PT IGI). The French, through AFD, are seeking to invest roughly EUR 300-500 million per year over the next three years in the form of concessional loans, and DFID is planning to provide a small amount of grant finance to help get the IGIF up and running. There are also commitments from JICA, Korea, and the Islamic Development Bank to co-invest with PIP and the PT IGI. The amounts of support are as yet unclear as they will be decided on a project by project basis. The financing available through the IGIF will be a blend of grants, concessional loans, and equity to develop scalable low-carbon business models and pipelines of investment-grade projects, primarily focused on renewable energy plus trials in commercially viable sustainable land use. The idea is that the blend of financial resources, including the injection of international public climate finance, will achieve high leverage investments that will attract the private sector, thus creating channels for public-private partnerships (illustrated below in Figure 3).

Figure 3: Structure of the IGIF



Source: GoI Ministry of Finance, 2010

The IGIF is not a fund, but rather an association of accounts, each with a different set of rules. Each contributor will manage its own account by their own governance rules, but at the same custodian bank and working through the same investment manager. Therefore, the IGIF allows for high individual control over spending regimes. In this way, the governance and execution functions are separate; the execution is unified while the governance is not, and avoids issues of different contributors needing to agree on common rules and procedures.

The IGIF is not intended to provide loans or grants to new projects but instead provide funds for projects in which the bank lenders seek an additional injection of equity, and to provide debt at lower cost through public finance that does not need the same returns that the private sector is seeking. Therefore, projects would be financed through the IGIF and co-investment from commercial private and institutional investors. It will undertake investments of US$20-80 million based on project size. The fund will generate investment returns through a combination of dividends, strategic sales and initial public offerings of its portfolio companies.

Norway-Indonesia Letter of Intent (LOI)

In May 2010, Norway signed a 'letter of intent' (LOI) with the Indonesian government to provide $1 billion for REDD+ finance between 2010 and 2016. This will fund three phases of REDD+ development including a preparatory strategy and institutional development phase (e.g. for monitoring and finance) (by end 2010); a 'readiness phase' supporting activities such as land tenure reform and a national 'moratorium' on new forestry concessions (2011-2013); and a 'contributions-for-verified-emission-reductions' phase which will allow for international emission reduction payments through a fund mechanism (2014 onwards). Norway plans to provide $200 million for the first two phases up to 2014, with the rest ($800 million) planned to reward the 'performance based' emission reductions. The financial pledge illustrates the considerable international interest in REDD+ and provides a good opportunity for rapid action on reducing emissions in Indonesia.

Norway and Indonesia have agreed on terms for the first payment of $30 million, which will be spent on preparing for the moratorium, setting up the new financial mechanism, selecting a REDD+ pilot province, and government communication. The initial US$ 30 million has been disbursed through the UNDP for the first phase. This is an interim arrangement as Norway sets up a more permanent financial mechanism. Exactly what this future entity will look like is still unclear.

While the initial $200 million is not dissimilar in modality from other types of direct bilateral grant support, the LOI is considered unique for several reasons:

- the $800 million 'performance based' payment element of the financial support is distinct from all other forms of international public financial support for climate change in the country;
- it includes the moratorium as a condition for support; and
- the level of intervention and institution setting is different from business as usual. While most donors work through specific ministries, BAPPENAS or directly support projects at the sub-national level, the LOI has intervened through the Office of the President.

The LOI has led to the establishment of a special REDD+ Working Group under the President's office. This Working Group is led by Kuntoro Mangkusubroto (who led the high profile Aceh Rehabilitation and Reconstruction Agency, BRR) in the President's Delivery Unit for Development Monitoring and Oversight, known as UKP4 (Ketua Unit Kerja Presiden bidang Pengawasan dan Pengendalian Pembangunan). The LOI seeks to turn this group into a BRR-like agency to oversee the $1 billion, thus creating a 'superagency' and putting REDD+ much higher on the national agenda than before.

Bilateral and Multilateral Project/Programme Support

The remainder of international public finance flowing into Indonesia to address climate change can be categorised as direct project or programme support. Most donors (bi- and multilateral) are supporting discrete projects and programmes, through technical assistance, capacity building, pilot projects, monitoring systems, etc. Most of this funding is considered 'on budget, off treasury', although there are exceptions. For example, KFW's support to the Ministry of Finance (through their FORCLIME programme, a joint initiative with GTZ) is considered 'on budget, on treasury' as they use GoI procurement systems.

This support exists both at local/provincial levels (for example the German Ministry of Environment's support for 'Knowledge Management for Biodiversity Conservation through Preparatory Measures for REDD in the Merang Peat Forests') and the national level (for example AusAID's support for the Indonesian National Carbon Accounting System, INCAS, led by the national space agency (LAPAN).

Table 2: Climate change financing modalities and their key characteristics

Financial modality	Who is supporting it?	Financial manager/ administrator	Level of intervention	Type of support
Climate Change Programme Loan (CCPL)	World Bank/ JICA/ AFD	Ministry of Finance/Treasury	Ministry of Finance	Concessional loan
Indonesia Climate Change Trust Fund (ICCTF)	GoI/DFID/ AusAID	Interim Trustee is UNDP; decision making by Steering Committee	National fund / BAPPENAS	Grant

Indonesia Green Investment Fund (IGIF)	GoI/DFID/AFD/ others likely	PIP managed by Ministry of Finance	Private sector enterprises/ commercial banks	Equity, grants, concessional loans, guarantees
Norway-Indonesia Letter of Intent (LOI)	Norway	UNDP	Presidential, through UKP4	Grants, performance-based grants
Direct project/ programme support	Various donors	Various, depending on project/programme	Various, depending on project/programme	Primarily grants

The different funding modalities have implications in terms of the extent to which they are aligned with the government systems, country ownership, responsibility and accountability of funding.

5. Analysis

This section looks at some of the implications of the current funding landscape from the perspective of their potential to help mitigate climate change and whether they raise issues from an aid effectiveness perspective. It also considers whether the climate change agenda raises new financing challenges. Three main questions are considered:

1. What are the strengths and weaknesses of the current approach from a climate change mitigation perspective?
2. What implications do international public climate change finance flows raise from the perspective of the coordination and alignment of finance?
3. Does the provision of international climate change finance raise new challenges for future support?

Strengths and weaknesses of the current approach from a mitigation perspective

It is almost impossible to assess how effective the different modalities are (or their combined effectiveness) in terms of reducing GHG emissions, as most of them are in the early stages of development and emissions reductions associated with each activity are difficult to monitor. However, interviews and analysis of key policy design documentation have highlighted a number of strengths and weaknesses of the current approach. These can be assessed according to the following indicators, which serve as basic proxies for potential mitigation effectiveness:

- **Speed, scale and sustainability:** The extent to which the modalities could provide sustainable funding quickly and at the required scale
- **Targeting finance towards mitigation needs:** How well funding is targeted at key mitigation needs

- **Strength of institutions**: The ability of institutions to implement effective modalities

Speed, scale and sustainability of finance

There has been a recent push to calculate the financing needs for Indonesia's mitigation goals. The most recent study highlighting the abatement potential and associated costs is the 'Indonesia Greenhouse Gas Abatement Cost Curve' released in August 2010 by the NCCC in partnership with McKinsey (NCCC, 2010). Excluding the demand side reductions and negative abatement costs, NCCC estimates that it will cost Indonesia roughly US$ 21 billion in 2030 to reduce its emissions by 2 Gt CO_2e. This would surpass the Government of Indonesia's target to reduce its GHG emissions by 26% and 41%, which would result in a reduction of 0.767 Gt CO2e and 0.442 Gt CO2e, respectively, or 1.2 Gt CO_2e in total.

These costs should be met by several different financing sources, including domestic, private and international public funds, and efforts should be made to evaluate which funding source is most suitable for which mitigation action. For example international public finance may be more suitable to cover the transaction and social costs not included in these cost estimates, and for providing finance for pilot approaches and capacity building, while private and domestic finance may be more appropriate for negative abatement cost opportunities and those which generate revenues.

Comparing this with the committed money from international public sources (US$ 4.4 billion) plus a conservative estimate of additional pledges coming in the range of roughly US$ 4 billion, and assuming this is spread evenly over the next four years, there will be a rough allocation of US$ 2 billion per annum, or approximately 10% of the financing needs projected for 2030.

When the figures are disaggregated for different modalities, a large proportion of the financial flows are linked to the CCPL and the LOI. Given that the CCPL is mainly contributing to the balance of payments and the bulk of the LOI finance is linked to ex-post 'performance based' payments, it is questionable to what extent existing commitments and pledges will meet the financial needs for mitigation in the immediate future. The other key initiatives - the ICCTF and the IGIF - currently have much lower levels of financing although the latter instrument is in the early stages of development. The ICCTF in particular has existed for longer but has only had small financing from DFID and AusAID ($7.5 million and $2 million, respectively), despite there being more than 15 donors operating in the country on climate change issues. The existing financing is also small compared with the amount of money these donors are investing in other climate change projects in the country that fall outside of the Trust Fund (less than 10%). Based on the interviews it is unclear whether much more funding will be allocated by donors to the ICCTF and so far the government does not appear to have made large commitments (this is partly because the government is meant to give a 15% match of its own resources, on receipt of other pledges). Concerns were raised by a number of interviewees that a more sustainable source of funding is necessary for this modality. The IGIF may be more promising – the government of Indonesia wants to put in $400 million and several other donors have come forward to support projects alongside the PT IGI. Because the IGIF can invest in private operations that have a return on investment, the modality is meant to function as a revolving fund and will therefore be more sustainable as returns can then be reinvested.

Targeting finance towards mitigation needs
More important than the scale of financing is the issue of how well finance is targeted at the key mitigation needs. According to the NCCC, the main areas in which finance needs to be targeted to increase abatement include: land use, peatland, agriculture, power, transportation, petroleum and gas, cement and buildings. These represent the majority of Indonesia's total emissions (NCCC, 2010). Given the central importance of the land use sector (land use, land use change and forestry, (LULUCF) including peat) to Indonesia's mitigation needs, REDD+ has been highlighted as one potential strategy that Indonesia should focus on in order to reach its abatement potential in this area.

Many respondents commented that public funding is currently poorly targeted towards activities that will result in real abatement in the long term and bring about the needed transformative change in key sectors. There is a lot of 'business as usual' support, for example involving a large number of workshops and capacity building activities, that only indirectly target abatement needs. The existing projects under the ICCTF, for example, were highlighted in this regard. Some of this is certainly needed (and is often emphasised as the 'readiness phase' in mechanisms like REDD+) but there are many viable mitigation activities in which financing needs are quite well known (e.g. geothermal energy) but still not adequately matched by suitable financing mechanisms. A similar issue arises with the much larger CCPL, which whilst it funds government priorities, it is unlikely that much of the funding will result in actual measurable emissions reductions.

The difficulties in targeting are partly caused by the difficulties of determining what the finance needs are and matching them with appropriate financing modalities, and there appears to still be a general lack of understanding among both donors and government[8] about this. While national economic needs assessments have been carried out, the assessments are often too general or broad to give accurate cost projections for different sectors. Some of the methodologies used also have severe limitations. These are not problems specific to Indonesia. For example, the use of opportunity costs estimates to cost REDD+ strategies has been questioned because of the difficulty of determining such costs for different actors who may be involved in REDD+. This is for reasons such as the inability to make accurate cost estimates in non-market environments (which may be common in the forest sector) and identifying all of the actors who have opportunity costs (who may be spread along a complex national and international value chain). (Gregersen, 2010).

The sectoral roadmap prioritises some areas for resource allocation, but according to some donors there is a lack of information that allows for allocation. There are also large variations in the interpretation of what different mitigation strategies are. For example, one interviewee commented that the interpretation of REDD+ differs depending on which government counterpart you talk to. The uncertainties are exacerbated by an uncertainty about the impacts of different approaches. For example, it is unclear what impact the LOI's promotion of the moratorium on new forest concessions will have on illegal logging. While Indonesia produces 35 million cubic meters of legal round wood per year, it consumes substantially more at roughly 50 million cubic meters per year, leaving a large gap between legal wood supply and the demand for wood products. The moratorium on new concessions effectively means decreasing the legal wood supply, and evidence from the last decade in Indonesia shows that when selective logging concession area was reduced at the same time timber demand expanded, the result was a substantial increase in illegal logging (MacDicken, 2010). While the moratorium attempts to limit deforestation, it does nothing to reduce demand for wood products, or increase the legal supply, so leakage is likely to occur[9].

Another reason for the poor targeting of finance is linked to the structuring of the modalities themselves. In some of the instruments the link between funding delivered and visible impacts on abatement is unclear. This may say more about the difficulty of measuring impacts than the effectiveness of instruments, but it was a question raised by a number of interviewees. For example the policy loan approach in the CCPL is seen as a helpful general budget support (GBS) approach that can

[8] According to some interviewees, BAPPENAS and the GoI are not pushing donors to invest, but rather maintaining a laissez faire attitude regarding the funding modalities they choose to support and letting the donors decide based on their own preferences, rather than guiding them based on their funding needs.

[9] One potential solution proposed is to promote sustainable forest plantations on degraded lands to help meet future wood requirements, while also providing direct climate change benefits. But plantations on degraded lands need to come on line before reductions are made in production from natural forest to avoid illegal logging (MacDicken, 2010).

lower transaction costs, increase predictability of funding, and encourage more effective state and public administration but the disconnect between funding and climate change related policy outcomes means that it is unlikely to directly fund mitigation activities (although this is almost impossible to verify). While it is possible to monitor the progress of policy actions agreed to through the CCPL policy matrix, it is impossible to monitor the money spent in relation to the actions, as no money is earmarked and none of the agencies working on the policies get an increase in resources to support those policies. As a result, the policy actions agreed to in the CCPL matrix are 'light policies' that have already been planned for by the government and include process-oriented outcomes such as '*submit mitigation actions and commitments under Copenhagen Accord to UNFCCC*', 'revise *a National Action Plan Addressing Climate Change (2007)*', and '*continue to support the funding mechanism for climate change projects under the ICCTF*' (World Bank, 2010a). The CCPL is also restricted to sovereign lending, which one interviewee commented may not be a useful approach for financing certain abatement activities.

The approach used in the ICCTF also gives some insights into how abatement opportunities are targeted. The fund offers grant finance to specific projects through a competitive applications process and may not be so strategically targeted at incentivising long term transformation in key abatement areas (e.g. providing finance that leverages investment). The links between the ICCTF and the Transformation Fund (now IGIF) may address this issue. A useful area of further study would be to look at the suitability of trust funds for financing different mitigation needs, especially given the international interest in such funds as a model for managing climate finance at the country level[10].

Financing needs assessments also highlight the importance of upfront investment, particularly in renewable energy technologies such as geothermal energy, which has high capital costs and it takes a long time for returns to be realised. However, the focus on performance-based mitigation payments (particularly in REDD+ but also prominent in the NAMA financing debate), risks detracting from establishing financing mechanisms that meet investment needs.

Lack of flexibility has also been highlighted as an issue with the current financing approaches (Walsh, 2005). Flexibility is essential given the rapidly changing landscape of support on climate change. For example, donor agencies' are tied to their host government's need to disburse resources at certain times of the year; when recipient countries cannot

[10] It would also be useful to look at the history of trust funds in Indonesia to understand their potential strengths and weaknesses.

receive the resources due to absorptive capacity constraints, donors will often channel the funds to a multilateral agency (such as the World Bank) who can hold the financial resources on the bilateral donor agency's behalf. This can often create new and unnecessary institutional arrangements and hurdles for the recipient when it is ready to receive the funding. Even direct bilateral support, which can be tailor made to a country's needs compared to multilateral support, has a lack of flexibility (again due to pressures to disburse money or different funding priorities) which could reduce effectiveness. More specifically related to climate change, many interviewees referenced the need to increase flexibility of donor support to reflect the shifts in the international policy landscape.

Strength of institutions

The potential effectiveness of the current public funding landscape in addressing Indonesia's mitigation needs is also likely to the be determined by the ability of existing and new institutions to implement the financing modalities. A detailed analysis of the strength of institutions involved is beyond the scope of this paper. However, the interviews highlighted two useful insights. The first surrounds whether the skills for managing mitigation funding exist within the fund management institutions. Some institutions may be familiar with managing grants, but have less experience in dealing with new investment structures that will be required for mitigation in key sectors – these may be more familiar to private financial institutions. The second issue surrounds the political strength of different funding institutions to promote a mitigation agenda, which needs to be high because of the potentially strong resistance in certain industries. The issue has reached the highest levels of government and the LOI is indicative of this, although focussed mainly on one sector. There is hope among those working on REDD+ that this may aid effective implementation. However, one interviewee commented that it is possible that even this may face problems further down the line because organisations set up by Presidential Decree can be easily undermined in the process of transforming their objectives into law. In the longer term, the legal basis on which ministries operate may be stronger than processes that need to develop new laws and institutions.

What implications do international public climate change finance flows raise in terms of finance delivery (particularly in terms of coordination and alignment of finance)?

This section looks at whether public climate finance in Indonesia raises issues from an aid effectiveness perspective. We focus particularly on two aspects of aid effectiveness – coordination (linked with the Paris principle of harmonization) and alignment of finance (Box 4). It looks at whether there are issues surrounding coordination and alignment of finance, how these are being managed and why they might be arising.

Over the last three years, there has been an increase in the number of international public funding initiatives dedicated to addressing climate change mitigation in Indonesia. This trend looks set to continue, with the introduction of new funding initiatives, such as the MCC funded by the US. There has also been a rapid increase in the number of mitigation activities being funded, for example in REDD+, where there are now over 35 projects (a significant proportion of which are publicly funded) (CIFOR, 2010), rising from virtually none in 2007.

There are efforts by both government and donors to coordinate the different funds and activities and ensure they align with country systems. For example, the ICCTF demonstrates an attempt by the government to coordinate funding. The ICCTF supports national ownership as it is managed and controlled by BAPPENAS and provides resources to line ministries; it tries to harmonize financial management by pooling international funding into one pot of money, and is aligned with national processes and procedures. A number of different working groups have been set up to coordinate different parts of the climate change response and various activities are underway to better understand the current landscape (e.g. the Ministry of Finance is conducting a mapping exercise for different activities to improve coordination). Most donors are aware that coordination is an issue, and they are aiming to address this through fairly frequent donor-to-donor coordination meetings, although these have only started recently. The EU has also established its own climate finance working group to address this issue (including Norway). According to interviewees, the meetings are more focused on information sharing at this stage and lack a larger coordination strategy.

Box 4: The Paris principles for aid effectiveness: indicators of coordination and alignment

The Paris Declaration on Aid Effectiveness (2005) outlines a set of key principles and commitments which aim to improve the effectiveness of aid (OECD website, 2010). There is broad international support for these principles and many donors have changed their approach to development assistance, but experience on the ground often suggests otherwise (AFRODAD, 2007). Lack of coordination, harmonization and alignment of policies, procedures and programs among various donor agencies, along with poor project design, monitoring and accountability continue to reduce the effectiveness of aid delivery. While more donors and more financing modalities can mean more choice for recipient governments, it can also lead to increased strain on government systems, ineffective planning, duplication of efforts, and undermining of ongoing policy processes.

While it is hard to measure outcomes, the principles are accompanied by a set of indicators to help with assessment.

Principle	**Example indicators**
Coordination (Donor-donor)	• Presence of a lead donor • Presence of internal donor coordination bodies • Whether coordination is government led • Whether all donors are part of coordination efforts
Coordination (Government-government)	• Presence of domestic coordination mechanisms • Whether these exist at all government levels and between them • Involvement of the private sector and civil society in coordination mechanisms
Alignment	• Donor assistance strategies aligned to national and local development strategies • Avoidance of parallel • Progressive reliance on government procurement systems • Progressive reliance on government public financial management structures once mutually agreed standards are in place

A number of interviewees reported that the increase in activity on climate change has been accompanied by new challenges in terms of coordination between donors, between donors and government and within government. This is illustrated by the apparent competition between some of the initiatives. For example, a number of respondents commented that the introduction of the LOI has had some impacts on existing processes, including:

1. **The development of a broad national MRV system.** This is being established by the Ministry of Environment to track all national GHG emissions. However, the introduction of the LOI focuses attention on establishing an MRV system for REDD+ rather than all sectors, in what one interviewee called 'total REDD+ domination'. It is now unclear what elements (e.g., just REDD+, or

REDD+ along with other sectors as well) it includes. According to some interviewees the question of an integrated MRV system is on the agenda for future discussion.

2. **The control of mitigation policy and processes.** By intervening at a higher political level through the President's office and his delivery unit (UKP4), the LOI may be able to cut through some levels of bureaucracy and increase the speed of action. However, some interviewees reported that the LOI has led to differences over who controls and oversees what elements of climate change mitigation.
3. **Changing the focus of funding priorities.** REDD+ has been removed as a focus of the ICCTF as a result of the introduction of the LOI.

The main domestic systems for enhancing coordination are the ICCTF and the various working groups that have been established to coordinate activities on climate change (for example the REDD Commission under the Ministry of Forestry, and the new group led by Kuntoro under UKP4). The ICCTF should theoretically provide a vehicle to bring donors and GoI together towards a shared objective and vision, although as previously discussed it has so far struggled to meet this objective. The effectiveness of the working groups is questionable – some are apparently poorly attended because there is little incentive to participate and there are a number of different groups with overlapping mandates.

The alignment of finance with national systems also appears to be an issue. Table 3 highlights that there are differences between approaches in terms of donor alignment with country systems. It is difficult to tell exactly how all forms of climate finance fit in to the on/off treasury division without doing a proper accounting exercise, but Table 3 gives an indication of how the different climate finance modalities fare in terms of using government systems and therefore how they differ in terms of alignment. Some modalities are highly aligned with government systems. For example, the CCPL allows for finance to be disbursed directly to the government's treasury, and uses the government's own allocation systems, thus strongly in 'alignment'. This allows the government to have complete control over the allocation of the resources according to the programmes and activities they prioritise (yet concerns regarding the extent to which the CCPL is fit for purpose to address climate change remain). Others use parallel systems to those established by the government; much of the externally funded sub-national projects are effectively working outside the government systems, and allow donors to maintain control over project direction. Several interviewees commented that much donor finance is still 'sealed off' from normal government activity.

Table 3: Climate change funding modalities' use of GoI systems

Financial modality	'On treasury' or 'off treasury'	Disbursement system	Working through government structures?
Climate Change Programme Loan (CCPL)	On budget on treasury	Disbursed directly to Ministry of Finance from which it goes, via normal government procedures, to the ministries, departments, or agencies responsible for budget execution.	Yes – General Budget Support
Indonesia Climate Change Trust Fund (ICCTF)	On budget on treasury	Disbursed directly to a particular ministry, agency, or department, and managed through special accounts outside of the regular government system.	Yes – following all GoI regulation such as government regulation and procurement systems
Indonesia Green Investment Fund (IGIF)	On budget on treasury, but some international finance likely to be off treasury	Disbursed directly to a particular ministry, agency, or department, and managed through special accounts outside of the regular government system.	Yes
Norway-Indonesia Letter of Intent (LOI)	To be decided	To be decided	Unclear, but the funds will likely be managed through a multilateral institution
Direct project/ programme support	Mostly on budget, off treasury	Can be either disbursed directly to a particular ministry, department or agency and managed through special accounts, or undertaken by donor agency or by a non-government agent on its behalf.	Most funds will work outside government structures, using own management and procurement systems

To the extent that donors are not well coordinated and poorly aligned, this may be due to different donor interests and priorities. While a few donors are strongly rooted in their support of the Paris Principles on Aid Effectiveness and are working through national institutions and procurement processes, many donors chart a course outside the government's institutional framework in order to maintain control and accountability over resources, and as a way to avoid dealing with slow and ineffective national and local systems. For example, one of the reasons for the lack of buy-in to the ICCTF as a coordinating mechanism for climate finance appears to be because many donors are adverse to 'basket funding' as their priorities and influence get lost in such multi-donor trust fund contexts. There has been a strong preference by some donors to make more visible bilateral commitments.

As noted in the previous section, the coordination issue is not just because donors lack a strong shared vision on their own priorities. The GoI itself still appears to lack a well-articulated vision of the national priorities behind which donors can align. With the possible exception of REDD+, the overall dialogue between donors and the GoI on climate change remains fragmented. The lack of effective dialogue between donors and government is another issue that needs to be addressed.

As with coordination, the differing donor priorities, lack of flexibility in their approaches, and a strong desire for accountability all appear to contribute to a lack of alignment with government systems. Issues of alignment mainly occur at the procedural level, and are therefore highlighted where procedures are dictated by the home country's policies and political preferences (for example, USAID mandated to only use U.S. based procurement systems). Different donors follow different rules, processes, and funding cycles, which makes it extremely difficult to coordinate between donors and to align with national systems. Some government interviewees commented that a significant hurdle to making climate finance more effective and streamlined is the funding cycles imposed by donor agencies. This limits the donor's ability to fully align with the GoI's systems, and reduces national accountability and ownership.

Does climate change alter the rules of the financing game?

From an aid effectiveness perspective many of the issues raised in this case study are not new. Traditional issues common to development assistance are arising surrounding coordination and alignment, and these appear to be driven by features of the aid system which are well known. However, it has been argued that climate change finance is based on a different type of relationship between north and south compared to the traditional donor-recipient relationship of ODA. This has been defined in different ways, with some authors referring to the need for the north to 'compensate' the south particularly in relation to climate change impacts and adaptation (Huq and Toulmin, 2006); others describing the difference between north and south in relation to shifting the relationship towards financial mechanisms that better represent southern interests to create a successful global partnership on climate finance (Ballesteros et al., 2010); and some equating it to 'buying a service', particularly in the case of certain mitigation mechanisms such as offsetting. This is also reflected in the international process, where division of responsibilities and the MRV of actions by developing countries are still very prominent. Given these potential differences, it is important to consider whether climate change could introduce new challenges that will need to be further considered as policies evolve.

In practice, there appear to be certain attributes of climate finance that could exacerbate some of the aid effectiveness challenges, or could indicate that a new relationship is arising, including:

1. The strong emphasis on the MRV of mitigation actions and 'pay for performance' by both developed and developing countries in a post-2012 agreement (Breidenich & Bodansky, 2009)
2. The importance placed on achieving financial 'additionality' for climate change at the international level (Brown, Bird, Schalatek, 2010) could be creating incentives to use less aligned financing initiatives which can provide higher visibility of support.
3. The need to achieve immediate results to avoid carbon lock-in (Project Catalyst, 2010). The recent emphasis on 'fast start finance' which highlights the need to augment international public flows to support climate change between 2010 and 2012, is largely focused on achieving immediate and demonstrable results.

The Indonesian case gives some insights into the implications of these different attributes. Indonesia is one of few countries in which public finance is likely to be delivered at scale in a 'pay for performance' modality through the LOI. The approach to the performance based part of the LOI has not yet been designed, and it will take a few years to develop[11]. However, significant attention is being placed on building a system that can monitor and verify demonstrable results from an emissions reduction perspective. This MRV system is accompanied by a set of policy measures that aim to reduce deforestation, developed through a multi-stakeholder process. The question was raised by a number of interviewees as to the extent that these (and other REDD+) processes are driven by the government's own priorities and whether the conditions imposed by international climate change policies, will have the desired effect on emissions reduction. While it is impossible to determine the impacts of the emerging system, the changing basis of the donor-recipient relationship highlights that it would be useful to re-visit lessons from debates about aid conditionality as such policies are developed. Key questions surround the ability to induce policy reform and potential perverse effects on national systems (Killick, 1998; Collier, 1999). As previously mentioned, if not carefully managed, such approaches could lead to an 'investment deficit', with the attention of climate finance towards ex-post payments, rather than addressing important upfront investment barriers in low emissions activities.

[11] Some interviewees drew comparisons with the approach developed from the Amazon Fund as a potential model for linking emissions reductions and the delivery of finance (Zadek et al. 2010). However, this says more about the way in performance is assessed rather than the mechanisms through which funding is delivered.

The pay for performance approach has also changed policy processes in terms of speeding up timelines and milestones. This is certainly important in terms of responding quickly to climate change, but it is possible that this could detract from an appropriate sequencing of actions. For example, in the REDD+ agenda, there are still divisions between those who see international incentive payments as an approach for incentivising environmentally effective and equitable policy reforms (Ebeling, 2008) and those that are concerned that the pressure for progress sees REDD+ being implemented without first addressing important policy reforms (Brown and Bird, 2008).

The drive to demonstrate fast results and secure financial additionality may be leading to an 'alignment-accountability trade-off' where bilateral and project based approaches are favoured over those that are more aligned with national institutions. This is because mitigation outcomes are more difficult to demonstrate with some modalities (such as the CCPL) which currently have little in the way of impact indicators. Understanding the relative effectiveness (from a mitigation perspective) of modalities that align with national systems compared to those that are less aligned but achieve more rapid and more visible results, would be a valuable area of further research. This question was raised directly in relation to the ICCTF. Some interviewees commented that if its aim is for donors to support national priorities and processes, they should provide direct budget support where the government can make its own funding allocations. Since the ICCTF money goes to support specific projects of the line ministries, the money could be better provided through budget support to strengthen the respective line ministries.

The need to deliver large scale finance in a short timeframe may also exacerbate some of the coordination issues, particularly given the uncertainty about the types of policy approaches that need to be financed and the large differences (and confusion) in the perception of these policies between donors and within different parts of government.

The nature of the relationship between north and south in the context of climate change mitigation finance could therefore be different from the traditional aid donor-recipient relationship. It will therefore be important to consider under what circumstances aid effectiveness principles are still relevant to climate finance effectiveness.

In addition to questions about whether climate change finance exacerbates aid effectiveness challenges, it is important to consider international public finance in the context of Indonesia's wider development over the next ten years. There is currently an emphasis in international debates about climate change on achieving large scale financial flows which are commensurate with the projected needs in international assessments such as the Stern Review (2006) and later reports (e.g. UNFCCC, 2008). The same debate is to some extent playing out at the national level – in Indonesia for example, illustrated by the NEEDS study and the McKinsey cost curve. Some interviewees suggested that this obsessive focus on achieving the scale of finance through international public finance for climate change mitigation may be the wrong emphasis for a country like Indonesia, which may not require huge resource flows but rather reform of national fiscal policy and incentives which require little financing. The focus on scale certainly acts as an important entry point for discussion between countries, but given Indonesia's low level of ODA flows relative to GDP, it is unlikely that it could ever be significantly scaled up to have sufficient incentive effects on mitigation actions. Instead, it was suggested that smaller levels of finance could be used more strategically, either politically or to leverage private finance in some areas. There are large differences between donors in this regard.

6. Conclusions: lessons for the future of public climate change finance a the country level

Public finance for climate change in Indonesia is likely to increase over at least the next 5 years, based on insights from donors and reviewing their forward spending plans. International pledges, which have been re-affirmed by the outcome of the Cancun UNFCCC conference, indicate that this trend is likely to continue until 2020. Given the prominence of public funding, it will be important to consider some of the lessons from early attempts to deliver and structure public financial flows going forward.

This scoping study on finance for climate change mitigation in Indonesia highlights a number of lessons and insights relating to public climate change finance at the national level:

- Public international finance for climate change has led to an increased number of activities aimed at mitigating climate change. This appears to be leading to issues of coordination and some competition between initiatives that could potentially weaken their effectiveness.
- Donors and government are aware of coordination issues and steps are being taken to manage these. However, these processes so far appear to be informal and there are questions about their effectiveness.
- There is still a lack of understanding of the different financing needs for building effective climate change mitigation responses and of the appropriate financial modalities to address these needs. In order to build more effective responses, it will be important as a starting point to better understand these needs and to build financing modalities based on these. More investment and alternative

methodologies may be required to understand in detail the financial needs of specific mitigation options. At the moment, the way financing is delivered seems to be mainly driven by the modalities available, rather than the needs themselves. The restrictions of existing financing modalities (e.g. in terms of procurement guidelines; funding cycles; ability only to provide sovereign debt finance) may also challenge efforts to achieve this objective.

- While many of the issues raised by public climate change finance are not new from an aid effectiveness perspective, climate change may introduce new challenges to the aid effectiveness agenda. These include: pressures related to the performance based focus of some financing modalities that are being promoted; and trade-offs between the accountability and alignment of finance, with some donors keen to invest in projects with visible results while others are supporting more general policies. It would be useful to develop approaches to monitoring and evaluating the long term abatement potential of these different approaches.
- The nature of the relationship between north and south could be different from the traditional donor-recipient relationship in the context of climate change mitigation. This is likely to vary between countries and between financing modalities (e.g. offsetting mechanisms). Given this change, it will be important to consider under what circumstances aid effectiveness principles are relevant.
- The scale of international finance for climate change responses in developing countries is a major debate internationally. At the national level and particularly in contexts where international public finance is small in proportion to GDP, the focus on achieving scale in finance needs to be balanced with attention towards how smaller levels of finance may be best used to reduce GHGs.

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Annex I: Definitions

Climate finance: Climate finance is the term given to the financial resources that are being mobilised to mitigate climate change and allow developing countries to adapt to climate change impacts. In this report, we focus only on public finance that has been mobilised by donors and which they classify as finance to support climate change responses.

Climate change mitigation: Climate change mitigation is action to reduce the concentration of greenhouse gases (GHG) in the atmosphere. This can be achieved by reducing the GHG sources or by increasing GHG the sinks, to reduce the potential effects of global climate change. Mitigation is distinguished from *adaptation*, which involves acting to adapt to the impacts of climate change.

REDD+: REDD stands for Reducing Emissions from Deforestation and Degradation. REDD is a mechanism that uses financial incentives to reduce the emission of greenhouse gases from deforestation and forest degradation in a measurable and verifiable way. The '+' expands the scope of REDD beyond avoided deforestation and degradation activities to include forest restoration, rehabilitation, sustainable management and/or af/reforestation. However, it is not yet decided which specific activities will be included in REDD+.

Aid effectiveness: Aid effectiveness is the effectiveness of development aid, or official development assistance (ODA) in achieving key development targets. The Paris Declaration on Aid Effectiveness, endorsed on 2 March 2005, is an international agreement to which over one hundred Ministers, Heads of Agencies and other Senior Officials adhered and committed their countries and organisations to continue to increase efforts in harmonisation, alignment and managing aid for results with a set of monitorable actions and indicators. The Paris Declaration, along with the 2003 High Level Forum on Harmonization in Rome, and the 2008 Accra Agenda for Action which builds on the Paris Declaration commitments, represents a general agreement on aid effectiveness principles.

Coordination: Coordination refers to *any institutional interface between a set of donors and partner recipient organizations as well as the mechanisms within these donor and partner organizations that aim to streamline the aid process* (McCormick et al., 2007). While not a direct principle for aid effectiveness in the Paris Declaration, it is often viewed as a theme related to the principle of Harmonisation. At a practical level, coordination consists of three types of interactions: those within the donor group (donor-to-donor coordination), those within government (intra-government coordination), and those between donors and government (donor-to-government coordination) (McCormick, & Schmitz, 2009).

Alignment: The principle of Alignment refers to the need to align donor support with the partner country objectives and strategies, and to use strengthened country systems. Within the Paris Declaration, donors have committed to 'base their overall support – country strategies, policy dialogues, and development cooperation programmes – on partners' national development strategies' (CABRI, 2008). Additionally, donors have committed to 'use country systems and procedures to the maximum extent possible... avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes (CABRI, 2008).

Annex II: Donor mapping table

Source	Funded project/funding vehicle	Bilateral or multi-lateral	Amount (US $)	Length of funding (years)	type of finance	type of funding instrument	Who manages the funds?	Who receives the funds?	description
AFD	Climate Change Program Loan (CC PL)	bilateral, with parallel support by JICA, WB	3 tranches: 200 mn in 2008 300 mn in 2009 300 mn in 2010	2008 - 2010	soft loans	general budget support (GBS)	Funds go to Treasury for budget support	Treasury - goes to balance payments	CCPL aims at developing public policies to support CC and GHG reduction (forestry, energy, industry); CC adaptation, etc
World Bank	Climate Change Development Policy Loan (CC DPL)	multilateral with parallel support by AFD, JICA	200 mn (2010), plus 200 mn planned for 2011	2010-2011	IBRD loan	general budget support (GBS)	Funds go to Treasury for budget support	Treasury - goes to balance payments	The CCDPL operation provides parallel financing for the CC "Program Loan" in 2010, the Japanese-French loan series initiated in 2008. ADB may join
World Bank	Clean Technology Fund	multilateral	400 mn	unknown	soft loans	project support	ADB, IFC, IBRD	private sector enterprises, banks	Significant scale-up of large-scale geothermal power development; and acceleration of initiatives to promote EE and RE, (in particular, biomass).
AusAID	Indonesia Climate Change Transformation Fund (ICCTF)	multilateral	2 mn	2008/09 - 2011/12	grants	Trust Fund, through which project support	BAPPENAS	Line ministries	support to establish ICCTF
AusAID	Geothermal Project Preparation	bilateral	1.5 mn	2009/10 - 2011/12	coop. agreement (grant)	Technical Assistance	GTZ	GTZ staff	TA to (i) prepare pre-feasibility studies for two (220MW) candidate ADB projects

IFCI (Australia)	Kalimantan Forest Climate Partnership (KFCP)	bilateral	30 mn	2007/08 - 2011/12	grants	project support	AusAID's 'Facility' managing contractor	the Facility and sub-contractors	The KFCP is a REDD demonstration focusing on peatland rehabilitation
IFCI (Australia)	Indonesia's National Carbon Accounting System (INCAS)	bilateral	2 million	2007/08 - 2011/12	grants	project support	Australian Department of Climate Change and AusAID.	Ministry of Forestry, LAPAN	build government capacity for forest carbon accounting and develop a system to support credible MRV of GHG on REDD
IFCI (Australia)	IFCA & Support for REDD-plus	bilateral	3 mn	07/08 - 08/09 (IFCA) and 09/10 - 11/12 (REDD support)	grants	primarily project support through research grants	Australian Department of Climate Change and AusAID.	ministry experts and researchers	A working group of ministry experts and researchers, prepared analysis and strategies for GOI for COP 13
IFCI (Australia)	Sumatra Forest Carbon Partnership	bilateral	30 million	2010-2012	grants	project support	AusAID's 'Facility' managing contractor	the Facility and sub-contractors	A second practical activity on REDD-plus (Demo 2) in Jambi
ACIAR (Australia)	Improving governance, policy and institutional arrangements to REDD	bilateral	1.4 million	2008/09 - 2011/12	grants	project support	ACIAR	unknown	Support policy and institutional development at provincial and district level to facilitate implementation of REDD
IFCI (Australia)	Asia Pacific Forestry Skills and Capacity Building	bilateral	8 million	2008/09 - 2010/11	grants	project support	Australian Department of Climate Change and AusAID.	various institutions	Regional capacity for REDD

JICA	Climate Change Program Loan (CCPL)	bilateral, with parallel support by AFD, WB	1 bn: 300 mn in 2008; 400 mn in 2009; 300 mn in 2010	2008-2010	soft loans	general budget support (GBS)	Funds go to Treasury for budget support	Treasury - goes to balance payments	Climate Change Program Loan; support of various projects (capacity building in the areas of CC mitigation and adaptation)
JICA	Climate Change Support Program	bilateral	10 mn	5 years	grants	tehcnical assistance	JICA	JICA's staff, consultants, etc	Providing TA to BAPPENAS, meteorological agency, Min of Environment in support of NAMA development, MRV, vulnerability assessment
JICA	Natural Environment Conservation Program	bilateral	unknown	2009-2014 (5 years)	grants	Technical Cooperatio n project	JICA	JICA's staff, consultants, etc	Implementation of National Forestry Strategic Plan, Sub Sectoral Program on Mangrove, National Park Mgmt
JICA	Program for comprehensive urban transport improvement	bilateral	~6.5 mn	2009-2014 (5 years)	mainly loans, some technical assistanc e	project support	JICA	unknown	Urban Transport Policy Integration and Implementation, Advisory and Engineering Services for Jakarta MRT
USAID	Environment and Climate Change Cooperation	bilateral	136 mn	3 years, starting 2010	grants	project support	USAID	various institutions	$119 to the SOLUSI partnership (Science, Oceans, Land Use, Society, and Innovation); $7 million to establish a Climate Change Centre in Indonesia,
Norway	International Climate and Forest Initiative	bilateral	1 bn	2010-2016	grants	TBD	TBD	TBD	Support for REDD+
DFID	Indonesia Low Carbon Growth project (Support to Indonesia Green	bilateral	2.4 mn (£1.5 mn)	2010-2011	technical assistanc e (grants)	Technical Assistance	DFID	Ministry of Finance (BKF and PIP)	

	Investment Fund, IGIF)								
DFID	Indonesia Climate Change Trust Fund (ICCTF)	multilateral	7.5 mn (£4.7 mn spent)	2010-2011	grants	Trust Fund	UNDP (interim fund manager until 6/2011)	Line ministries in phase 1	Support of ICCTF which has approved a programme on REDD
DFID	Support to Climate Change Programme	bilateral	2.5 mn (£1.65 mn budgeted; £582k spent to date)	2009-2011	grants	Technical Assistance	Various institutions, incl. selected service provider	Various, incl. Bappenas, National Council on Climate Change (DNPI), Ministry of Finance (PIP)	
DFID	Multi-stakeholder Forestry Programme	bilateral	7.9 mn (£5 mn)	2007-2011 (second phase)	grants	project support	A selected Indonesian Service Provider	Various institutions, incl. Ministry of Forestry , civil societies and private sector	Enabling conditions for legal and institutional reform toward SFM in place by 2011, that support poverty reduction, and climate change adaptation and mitigation in the forestry sector
UN-REDD	UN-REDD	multilateral	5.6 mn	2010	grants	project support	UN-REDD	Ministries, REDD WG, FORDA, consultants	Developing designs for payment mechanism linking to MRV system; stakeholder consultations; demo activities.

FCPF	FCPF	multilateral	3.6 mn	between 2010-2012	grants	project support	FCPF	Ministries, REDD WG, FORDA, consultants	Management of readiness process (institutional setting and regulatory framework, capacity building, etc); support establishment of REL and MRV; facilitate new REDD demo activities.
FIP	FIP	multilateral	80 mn	to be spent between 2010-2012	grants	project support	FIP	TBD	
Germany (KFW)	Forest & Climate change programe - FORCLIME	bilateral	28 mn (€ 20)	between 2010-2015	grants	Project support	Ministry of Forestry	Regional and District Forestry Aministra-tions	Implementation of REDD strategy; establishment of REL and development of MRV system at the district level; facilitate development of REDD incentive distribution scheme.
Germany (GTZ)	Forest & Climate change programe - FORCLIME	bilateral	10 mn (€ 7)	between 2010-2015	grants (technical assistanc e)	Technical Assistance	GTZ	GTZ	
Germany (KFW)	Forest Programme II	bilateral	32 mn (€ 24)	unknown	grants	Project support	Ministry of Forestry	Regional and District Forestry Administra-tions	Demonstration of the technical and economical feasibility of a pro poor approach of REDD in selected districts in Kalimantan
Germany (KFW)	Emissions reductions in solid waste	bilateral	33 mn (€ 25)	unknown	soft loans	project support	unknown	private sector enterprises	
Germany (KFW)	Geothermal programme	bilateral	277 mn (€ 210 mn)	Between 2011-2017	soft loans	project support	PLN, Pertamina Geothermal and others	TBD	Exploration and exploitation of geothermal resources (incl. power plant construction)

Germany (KFW)	Exploration of geothermal resources	bilateral	10 mn (€ 7.7)	Between 2011-2013	grants	Project support	Government of Aceh	TBD	Exploration of geothermal resources
Germany (KFW)	Private sector emissions reductions technologies	bilateral	22 mn (€16.5 mn)	unknown	credit line	project support	unknown	private sector enterprises	
Germany (KFW)	Private sector emissions reductions technologies - technical assistance	bilateral	2 mn (€ 1.5 mn)	unknown	technical assistance	project support	unknown	private sector enterprises	
Germany (ICI)	Biodiversity Conservation through Preparatory Measures for Avoided Deforestation	bilateral	2 mn (€ 1.45)	2008-2011	grants	project support	Germany BMU (through the ICI)	GTZ	
Germany (ICI)	Securing carbon sinks in the Heart of Borneo	bilateral	1.2 mn (€ 870,000)	2009-2011	grants	project support	unknown	unknown	Protection/sustainable use of natural carbon sinks with REDD relevance, capacity building, policy dev't
Germany (ICI)	Harapan Rainforest —Pilot Restoration of a Degraded Forest on Sumatra	bilateral	10 mn (€ 7.6 mn)	2010-2013	grants	project support	unknown	unknown	Protection/sustainable use of natural carbon sinks with REDD relevance, investments

Germany (ICI)	Biodiversity Conservation through Preparatory Measures for REDD in the Merang Peat Forests	bilateral	0.9 mn (€ 630,000)	2009-2011	grants	project support	Germany BMU (through the ICI)	GTZ	Province Forest Admin Office, District Forest Admin Office
Germany (ICI)	Carbon-financed forest management in Tropical Rainforest Heritage of Sumatra	bilateral	0.898 mn (€ 0.64)	2009-2011	grants	project support	Germany BMU (through the ICI)	unknown	Protection/sustainable use of natural carbon sinks with REDD relevance, investments
Germany (ICI)	Support for Autonomous Village Energy Programme 'Desa Mandiri Energi'	bilateral	0.35 mn (€ 0.25)	2008-2009	grants	project support	Germany BMU (through the ICI)	GTZ	Contribute to the dissemination of renewable energy sources in rural regions of Indonesia.
Global Environment Facility (GEF)	Geothermal Development Programme	multilateral	4 mn	unknown	grants	project support	GEF	unknown	The Geothermal Power Generation Development Program and The Indonesia Chiller Energy Efficiency Project (conversion of inefficient chillers).
EU	Accountability and Local Level Initiative to Reduce Emission from Deforestation and Degradation in Indonesia	EU bilateral	1.26 mn (EUR 896769)	2009-2011	grants	project support	EU	ICRAF	To assist Indonesia to account for land-use based greenhouse gas emissions and to be ready to use international economic 'REDD' incentives for emission reduction in its decision making at the local

	(ALLREDDI)								and national levels
EU	Promoting, conservation and sustainable management of the lowlands forests of South central Kalimantan	EU bilateral	1.44 mn (EUR 1.02 mn)	2007-2011	grants	project support	EU	Orangutan Foundation	Maintenance of functioning tropical forest ecosystems in the context of a protected area network that supports sustainable rural development
EU	Collaborative land use planning and sustainable institutional arrangement for strengthening land tenure, forest and community rights in Indonesia	EU bilateral	2.5 mn (EUR 1,796,000)	2010-2014	grants	project support	EU	CIRAD	Avoid deforestation and environmental degradation by supporting the development of sustainable institutional arrangements promoting land policies and instruments involving local communities
EU	Developing community carbon pools for Reduced Emissions from Deforestation and Degradation (REDD) projects in selected ASEAN countries	EU bilateral	3.26 mn (EUR 2,328,000)	2010-2012	grants	project support	EU	Fauna & Flora International	To build capacity of local communities and local governments to actively participate in REDD+ pilot projects and feed back lessons learned into policy dialogues at sub-national, national and regional level

EU	Building coastal resilience to reduce climate change impact in Thailand and Indonesia	EU bilateral	2.44 mn (EUR 1,740,000)	2010-2012	grants	project support	EU	CARE Deutschland	Coastal populations in Indonesia and Thailand are increasingly resilient to the negative impacts of climate change.
EU	Regional Support Programme for the EU FLEGT Action Plan in Asia.	EU bilateral	8.12 mn (EUR 5.8 mn)	2008-2012	grants	project support	EU	European Forestry Institute	To improve forest governance in the Asia region, contributing to poverty eradication and sustainable forest management, through support to the implementation of the EU FLEGT Action Plan
EU	Strengthening Civil Society to Promote Integrated Action and Policies to Tackle Tropical Deforestation in Asia-Pacific	EU bilateral	1.68 mn (EUR 1.2 mn)	2009-2012	grants	project support	EU	Environment Investigation Agency	• Improved governance of forests in East Asia resulting in benefits for rural livelihoods and reduced forest loss • Effective implementation of FLEGT VPAs in East Asia with robust timber legality verification systems • Forest governance issues embedded in REDD schemes and community-based forestry management schemes in Indonesia

EU	Strengthening state and non-state actors in the preparation, negotiation and/or implementation of FLEGT-VPA	EU bilateral	2.38 mn (EUR 1.7 mn)	2011-2014	grants	project support	EU	Kemitraan	To support the participation of civil society organisations, indigenous people organisations, private sector and other non state actors in national processes for FLEGT VPA preparation, negotiation and/or implementation by increasing the effectiveness and efficacy of the Timber Legality Assurance System
EU	Strengthening Indonesia Independent Forestry Monitoring Network to ensure a credible timber legality verification system and effective VPA implementation	EU bilateral	0.278 mn (EUR 0.199 mn)	Provisionally selected. Not started yet	grants	project support	EU	Telapak	Indonesian civil society plays central role in development and implementation of policies related to forest governance
EU	Strengthening Civil Society Organizations and Small and Medium Timber Industries in VPA Preparation and SVLK Implementation	EU bilateral	0.348 mn (EUR 0.249 mn)	Provisionally selected. Not started yet	grants	project support	EU	The Indonesian Ecolabelling Institute (Lembaga Eco-label Indonesia)	The specific objective of the proposed project is strengthened capacity of local community organizations and Small and Medium Scale Timber Industries for the implementation of VPA Preparation and timber legality verification known as SVLK in Community Forests.

Planned support in the pipeline									
DFID	CC bilateral cooperation	bilateral	80 mn (£50 mn)	5 years (meant to start in 2010)	grants	TBD	DFID	TBD	Partnership between UK & Indonesia - Activities and scope under development- Two areas of forward partnership: LULUCF, and low carbon devt pathway.
AusAID	CC bilateral cooperation	bilateral	TBD, likely 40-50 mn	over next few years	grants	project support, technical assistance	most likely AusAID	TBD	As part of their future 'Fast Start Finance' commitments, AusAID will be supporting Indonesia with additional grants over the next few years.
United States	US Millennium Challenge Corporation (MCC)	bilateral (non-ODA)	TBD, likely 700 mn	over 4-5 years	TBD	TBD	TBD	TBD	Proposed investment to support REDD+
EC	CC support programme	multilateral	21 mn	unknown	grants	project support	unknown	unknown	
TBD	Indonesia Green Investment Fund (IGIF)	multilateral	TBD	TBD	blend of grants, loans	project support	PT IGI (under Ministry of Finance's Gov't Investment Unit)	private sector enterprises	IGIF will catalyse private-public partnerships (PPPs) in order to mobilise investment in low-carbon development. Several governments have shown interest in contributing.

Annex III: Interviews held

1. Anthony Anderson – PricewaterhouseCoopers (PWC)
2. John Claussen – Managing Partner, Starling Resources
3. Dr. Maria Brockhaus – Scientist, Climate Change Forests and Governance Programme, CIFOR
4. Tim Brown – Environment Coordinator, World Bank Indonesia Office
5. Dan Heldon – First Secretary, Climate Change & Environment, Australian Embassy/AusAID
6. Gerard Howe – Head, DFID Indonesia
7. Lex Hovani – REDD Advisor, The Nature Conservancy
8. Masato Kawanishi – Chief Advisor, JICA Indonesia Office
9. Rezal Kusumaatmadja – Partner, Starling Resources
10. Heiner von Luepke – Policy Advisor for Environment and Climate Change, GTZ
11. Kenneth MacDicken – International Finance Corporation (IFC)
12. Simon McKenna – PricewaterhouseCoopers (PWC)
13. Sakura Moretto – Programme Manager, Climate Change, EU Delegation to Indonesia
14. Efrian Muharrom – CIFOR
15. Philipp Munzinger – Policy Advise for Environment and Climate Change, GTZ
16. Yuka Murakami – Project Formulation Advisor, JICA Indonesia Office
17. Pak Nuroso – Fiscal Policy Office, Ministry of Finance
18. Hege Karsti Ragnhildstveit – Counsellor, Royal Norwegian Embassy
19. Matthias Rhein – Senior Climate Finance and Policy Advisor - DFID Indonesia
20. Prof. Dr. Singgih Riphat – Fiscal Policy Office, Ministry of Finance
21. Stephen Rodriquez – Deputy Country Director Programme, UNDP
22. Budhi Sayoko – Head of Environment Unit, Assistant Country Director, UNDP

23. Fabian Schmidt – Associate Expert Carbon Forestry, GTZ (seconded to CIFOR)
24. Dr. Maurin Sitorus –Directorate General of Debt Management, Ministry of Finance, Indonesia
25. Dr. Hardiv H. Situmeang – World Energy Council
26. Syamsidar Thamrin – Deputy Direct for Weather and Climate, The State Ministry of National Development Planning (BAPPENAS)
27. Bjorn Thies – Director, KfW Office Jakarta
28. Dr. D. Andrew Wardell – Programme Director, Forests and Governance, CIFOR
29. Wahjudi Wardojo – Senior Advisor, International Forest Carbon Policy, The Nature Conservancy
30. Adrian Wells – DFID/FCO Indonesia Office
31. Carey Yeager, Ph.D. – Senior Environment Specialist, USAID
32. Nyoman Yogi – International Finance Corporation (IFC)

EDC2020

EUROPEAN DEVELOPMENT CO-OPERATION TO 2020

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Over the next decade, Europe's development policies will have to act on a combination of old and new domestic issues and substantial changes in the global landscape. Change in Europe's internal architecture – with implications for development policy – takes place in times of wide-ranging global shifts, and at a time when questions of European identity loom large in national debates. A key questions is: How will the EU, how will "Brussels" and the member states be working together on common problems? Global challenges include three issues increasingly facing EU's development policy agenda:

- The emergence of new substantial actors in international development,
- The linkage between energy security, democracy and development and
- The impact of climate change on development.

Public and policy-making debates need to be informed about future options and their likely effects; and decisions need to be based on good research and sound evidence. EDC2020 seeks "to improve EU policy-makers' and other societal actors' shared understanding of the above named emerging challenges facing EU development policy and external action." EDC2020 will contribute to this shared understanding by promoting interaction across research and policy-making, aiming at establishing links to share perspectives across different arenas, and mutual learning. To this aim, EDC2020 will provide policy-oriented publications, a shared project website and high-level European policy forums.

The three-year consortium project EDC2020 is funded by the 7th Framework Programme of the European Union. More information about our the EDC2020 project can be found at **www.edc2020.eu**

SEVENTH FRAMEWORK PROGRAMME

Project funded under the Socio-economic Sciences and Humanities theme

EADI

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FRIDE
FUNDACIÓN PARA LAS RELACIONES INTERNACIONALES Y EL DIÁLOGO EXTERIOR

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