

Indonesia Climate Change Trust Fund

Annual Report 2013





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Prepared by
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and
United Nations Development Programme (UNDP)



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Acronyms

BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> The National Development Planning Agency of Indonesia
BPKP	<i>Badan Pengawasan Keuangan dan Pembangunan</i> Financial Development Comptroller/Financial And Development Supervisory Board
CSO	Civil Society Organization
DIPA	<i>Daftar Isian Pelaksanaan Anggaran</i> Government budgeting document
EA	Executing Agency A Government institution, Line Ministries, Government Agencies and Local Government, which is eligible to submit project proposals to the ICCTF and responsible for executing the project
ED	Executive Director
FM	Financial Management
GHG	Greenhouse gas
Gol	Government of Indonesia
HR	Human Resource
IA	Implementing Agency Institutions including Government, civil society, private sector and/or academic institutions, partnering with an Executing Agency, responsible for the actual implementation of an ICCTF supported project
ICCSR	Indonesia Climate Change Sectoral Roadmap
ICCTF	Indonesia Climate Change Trust Fund
Kepmen	<i>Keputusan Menteri</i> Ministerial Decree

LKPP	<i>Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah</i> Government Procurement Regulatory Body
LOA	Letter of Agreement
LWA	<i>Lembaga Wali Amanat</i> National Trust Fund
MWA	<i>Majelis Wali Amanat</i> Board of Trustee
NGO	Non Government Organization
NPD	National Project Director
Permen	<i>Peraturan Menteri</i> Ministerial Regulation
Perpres	<i>Peraturan Presiden</i> Presidential Regulation
RAN-GRK	<i>Rencana Aksi Nasional Penurunan Emisi Gas Rumah Kaca</i> National Action Plan on Mitigation
RAN-API	<i>Rencana Aksi Nasional Adaptasi Perubahan Iklim</i> National Action Plan on Adaptation
REDD+	Reducing Emissions from Deforestation and Degradation, Conservation of Existing Carbon Stocks and Enhancement of Carbon Stocks
SC	Steering Committee
SOP	Standard Operating Procedures
TC	Technical Committee
MoA	Ministry of Agriculture
MoFor	Ministry of Forestry
MoH	Ministry of Health



Executive Summary

This report covers activities carried out in 2013 by the Indonesia Climate Change Trust Fund (ICCTF) under the “Preparatory Arrangements for the Indonesia Climate Change Trust Fund” (PREP-ICCTF) project, a partnership between the National Planning and Development Agency (BAPPENAS) and UNDP.

The ICCTF is intended to coordinate and channel funds for climate mitigation and adaptation in order to ensure effective development assistance for climate initiatives and guide Indonesia towards a low-carbon economy.

To support the establishment of a nationally-managed and fully-operational Indonesia Climate Change Trust Fund (ICCTF), the PREP-ICCTF project focuses on 1) providing support to priority climate change initiatives, as prioritized by the GoI; 2) Conducting policy dialogue and increasing awareness of ICCTF; and 3) Supporting capacity development needs of the GoI for efficient and effective implementation of ICCTF. Main results achieved in 2013 among others are outlined below:



1. Legal establishment of ICCTF further advanced

After the approval of the overall transition plan from PREP-ICCTF to LWA-ICCTF in April by the Steering Committee, the PREP-ICCTF project made significant progress in the implementation of the plan. ICCTF must be made legal through a regulation and decree issued by Bappenas to be fully nationally established which paves the way for Indonesia to access global funds and reach national emission targets. In 2013 Bappenas made significant progress in this task by issuing the Ministerial Regulation on LWA-ICCTF (National Trust Fund). The Ministerial Decree on MWA-ICCTF (Board of Trustees) was drafted in 2013 and is expected to be endorsed by Bappenas in Q1 2014. The nomination of board members by member institutions is necessary for the ICCTF decree to be signed since this document formalizes the board members. Nomination also shows the ownership of the respective members, and is a step forward to making the ICCTF fully nationally owned and managed.

2. Increased recognition of ICCTF in the climate change finance landscape

Continuous successful ICCTF funding to projects may lead to other initiatives to utilize ICCTF as a delivery mechanism. After months of attempting to align donor and government fund management requirements, stakeholders begin to see the robustness and value added of ICCTF's fund management and legal set up. The Policy Coordination Forum held by Bappenas and supported by the ICCTF Secretariat in July 2013 is proof that ICCTF is already fulfilling its mandate of improving coordination between similar activities. In addition, ICCTF brokered nine coordination meetings with relevant GoI programs and other stakeholders, and promoted ICCTF at various international events including those held in Singapore, UAE, Philippines, South Korea and Fiji as well as the UNFCCC Conference of Parties 19 in Warsaw, Poland. For the national promotion of ICCTF, journalists were invited to witness project activities in the field, which resulted in widespread coverage, a media award given in 2013, and solid partnerships with climate change advocacy journalists.



3. Improved Commitment for Sustainability

To ensure the long-term sustainability of ICCTF as a national trust fund, the Government of Indonesia must allocate sufficient financial and human resources to build the credibility of a new government institution. In 2013, Bappenas officially stated their intention to allocate 30-50 million USD state funding (APBN) in fiscal year 2014 for ICCTF operations in 2015. Government funding allocation shows ownership of ICCTF, and also indicates strong sustainability and therefore long-term impacts of ICCTF. Strong leadership is a success factor for sustainability. In 2013, the role and responsibilities of ICCTF Executive Director were approved by the GoI, and in Q2 2014 the director will be appointed. In a diversification effort to ensure sustainability Bappenas approved at the end of 2013 a Small Grant Programme (SGP) catering for the needs of the civil society. This new mode of delivery will help ICCTF reaching new prominent actors in the climate change panorama and implement the most promising projects in the future.

The PREP-ICCTF project implementation faced challenges and risks in 2013. The pending appointment of the Executive Director to provide leadership to the new entity is to be addressed. Financial sustainability of the trust fund can be seen as a challenge that the Secretariat continued to address in 2013 and that also will be prioritized in 2014. A resource mobilisation strategy was drafted in the end of 2013 and will be approved in 2014 by the SC. With appropriate leadership and a common strategy, funds can be mobilized and projects implemented smoothly.

In 2014, ICCTF will continue to focus on the transition toward a National Trust Fund setup in compliance with the Presidential Regulation No. 80/2011 on Trust Fund, especially the Kepmen on MWA, another Kepmen to establish ICCTF as a work unit (Satuan Kerja, Satker) as well as the financial sustainability both from donors and national state budget (APBN). ICCTF will support the process of allocating state budget as stated by Bappenas for operations in 2015 and beyond. Other objectives include the completion of projects implemented by line ministries and under small grants by Q4 of 2014. In this last phase of implementation, PREP-ICCTF must deliver a fully nationally managed trust fund which is financially viable, led by a new Executive Director, independent from UNDP systems, and able to access vertical funds such as the Adaptation Fund and Green Climate Fund.



GHG emission measurement at ICCTF-MoA project site in Riau, Sumatera



Situational Background

Responding to climate change emerging as a major threat to the national development agenda of Indonesia, in 2009 the President of the Republic of Indonesia, Susilo Bambang Yudhoyono committed to achieve a 26 percent reduction in carbon emissions from Business As Usual (BAU) by 2020, increasing to 41 percent with adequate international support.

To coordinate international support for climate change activities, the Government of Indonesia (GoI) established the Indonesia Climate Change Trust Fund (ICCTF) in 2009. The ICCTF is planned to be nationally managed through the establishment of a National Trustee. Until the National Trustee is established, ICCTF is operating under "Preparatory Arrangements for the Indonesia Climate Change Trust Fund (PREP-ICCTF)", a project of the GoI facilitated by the United Nations Development Programme as the interim fund manager.

During the interim period, the PREP-ICCTF is working towards the following objectives: (1) Provide support to priority climate change initiatives as prioritized by the Government; (2) Provide support to the establishment of the ICCTF; and (3) Support capacity development needs of the GoI for the efficient and effective implementation of the ICCTF.

When ICCTF was launched on 14 September 2009, the legal framework required for the establishment of a national trust fund did not exist. The legal basis of the ICCTF establishment was then based on BAPPENAS Ministerial Decree No. 44/M.PPN/HK/09/2009 and its revision No. 59/M.PPN/HK/09/2010. On November, 2011, the GOI issued Presidential Regulation (Perpres) No. 80/2011 as a legal framework for trust funds. Perpres No. 80/2011 does not retroactively apply to preexisting trust funds; for this reason, PREP-ICCTF is permitted to continue operating under the existing arrangement until the funds currently managed under PREP-ICCTF are fully disbursed. However, for the purpose of receiving new contributions, ICCTF will comply with Perpres No. 80/2011 as a new national trust fund. The full legal establishment of ICCTF is expected to be completed by Q2 2014. Preliminary discussions with development partners have taken place to solicit resource mobilization.

In order to comply with Perpres No. 80/2011 the institutional development processes of ICCTF have been committed in the ICCTF business plan by synchronizing the future structure of ICCTF under the *Majelis Wali Amanat* (MWA) or Board of Trustee and the *Pengelola Dana Amanat* (PDA) or Fund Manager as stipulated in the Perpres. In November 2012, ICCTF and UNDP prepared a transition and sustainability plan to ensure smooth transition of ICCTF from UNDP trusteeship into a fully national setup in 2014.



Red Caliandra tree planting for Biomass Energy Estate at ICCTF-MoFor project site in Bangkalan, Madura, East Java



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ICCTF Progress in 2013

1. Project Implementation

Summary

ICCTF's main activities consist of calling for proposals, selecting the most significant projects, and implementing subprojects, including funding and monitoring. Three projects are currently being implemented by line ministries and closely monitored programmatically and financially by the ICCTF Secretariat. The Call For Proposal (CFP) targeting Civil Society Organizations (CSOs) to implement Small Grant Projects (SGP) did not happen in 2013, due to a higher priority of finalizing the national ICCTF legal and operational framework, in which the SGP would be embedded.

Progress

The Secretariat continued in 2013 to **oversee the implementation of projects** that received a grant in 2012 and were scheduled for completion by Q3 2014. These three projects add on to three previous pilot projects completed in 2012 bringing the total number of funded initiatives to 6. Like all government agencies, ICCTF is enforcing clear

rules and regulations in financial and program monitoring. At this stage, ICCTF still receives minor financial monitoring support from UNDP, but based on the financial monitoring of the Secretariat. UNDP in fact processes advance payments to beneficiaries, the ministries in this case while ensuring permitted use of funds. However the monitoring of project activities and their contribution to each thematic window of ICCTF is fully carried out by thematic experts in the structure. The Standard Operating Procedures (SOPs) of ICCTF as an independent trust fund were proposed and adopted in August. These SOPs will be made final by the issuance of the Kepmen MWA however elements of these especially for Monitoring & Evaluation as well as Human Resources are already used. For reference, the projects currently funded are:



ICCTF-MoA project site in Jabiren, Central Kalimantan

Table 1: Current projects funded by ICCTF

1. Ministry of Agriculture


The project of the **Ministry of Agriculture** (MoA, USD 1,509,000) is the continuation from a previous project supported by ICCTF in 2010-2011. For this phase, the project expands its geographical coverage to include the province of Papua, in addition to West Kalimantan, Central Kalimantan, Riau and Jambi. In this second phase, the project aims to improve the model for sustainable management of degraded peat land to mitigate greenhouse gas emissions and optimize crop productivity. The expected outcomes of this project are: 1) A scientifically-based policy and strategy on sustainable peat land management informed by accurate degraded peat land maps; 2) Improved capacity of peat land research and management; and 3) Dissemination of information to stakeholders regarding the national programme on the utilization and management of peat land. Expected completion date: August 2014

2. Ministry of Health

The project of the **Ministry of Health** (MoH, USD 879,000) is a climate change adaptation project and supports the assessment and mapping of health vulnerability to the changing Dengue Hemorrhagic Fever (DHF) and malaria disease patterns induced by changing climate and develop community-based adaptation measures to tackle this threat in 21 districts and cities in five provinces (West Sumatera, DKI Jakarta, East Java, Central Kalimantan, and Bali). The expected outcome of this project is the increased capacity of health officials, officers and policy makers to design policies and make decisions based on additional information linking climate change, DHF/ malaria and the distribution of vulnerable population. Expected completion date: August 2014

3. Ministry of Forestry


The project of the **Ministry of Forestry** (MoFor, USD 625,000) supports the enhancement of sustainable management of community-based wood pellets production as biomass energy to support low carbon economy and climate change mitigation in Bangkalan district in Madura province. The expected outcomes of the project are: 1) Measurement of the CO₂ net emissions on the demonstration plots of the 'Biomass Energy Estate' (area designated for biomass production, *Kebun Energi Biomassa* – BEE); 2) Establishment of a partnership for managing the wood pellet industry; and 3) Improvement of local socio-economic conditions through generation of alternative income source. Expected completion date: September 2014



Demonstrating results of projects among communities and within national environmental objectives is key for ICCTF to **build its credibility among donors** and other government agencies. For this reason, the ICCTF Secretariat will commission in Q3 2014, shortly before completion of the above projects, independent evaluations focusing on impact and to generate lessons learned. As a young entity ICCTF needs the learning experience to improve its operations.

Another way of building the credibility of ICCTF among stakeholders is to **assess and communicate on the robustness of its internal operations**. For example in 2012, ICCTF underwent an audit conducted by The Financial Development Controller/Financial and Development Supervisory Board (BPKP) focusing on the Secretariat operations. The result of this audit was “unqualified opinion”. In 2012 and 2013, ICCTF was internally audited by Rasin Ikhwan & Rekan, an Indonesian public accounting firm and member of the Alliot Group, a worldwide alliance of independent accounting law and consulting firms. The firm conducted two levels of audit, first focusing on ICCTF internal system and secondly on funded projects. Recommendations of the internal audit reports are acknowledged by the Secretariat and pertain to 1) improving controlling environment; 2) accurately assessing risks ; 3) controlling activities on finance and accounting, procurement, fixed assets; and 4) information and communication for financial reporting). In addition to that, UKCCU contracted the Jakarta-based Prime Consultancy to provide a third-party review of results achieved by PREP-ICCTF in 2012. This review was accompanied by interviews of government officials and beneficiaries and was used by UKCCU for internal monitoring.

As an effort to **diversify its support to tackle climate change** in Indonesia, the ICCTF Secretariat has laid the ground work to support Civil Society Organizations (CSOs) through a small grant programme. Supporting CSOs requires a different kind of project management adapted from the way ICCTF engages with line ministries. Initially scheduled for 2013, Bappenas decided to postpone the issuance of a call for proposal and request the Secretariat to prepare guidelines and other supporting documents to launch a Small Grant Program (SGP) in January 2014 with the support of the USAID-funded initiative ADAPT Asia-Pacific. The SGP is aimed to fund small-scale projects to CSOs, universities, non-government organisations and research institutions with a maximum of USD 50,000 per project. ICCTF aims to fund between 5 and 7 projects under the SGP scheme with an implementation timeframe starting by Q1 2014 and ending by the end



of Q4 2014. If the SGP delivers positive results, it will pave the way for ICCTF to deliver a more agile type of support to the civil society, an actor of change for climate change mitigation and adaptation.

Finally, Bappenas stated to allocate USD 30-50 million of **state budget funds (APBN)** in 2014 to be utilized starting from 2015. In 2014 PREP-ICCTF must support Bappenas application for these funds so that it can be used in 2015. Since the end of 2013, PREP-ICCTF is in discussion with new potential donors including USAID and DANIDA to mobilize funding by the end of 2014. Mobilizing traditional donor funding is a challenge; although steps are taken to allocate APBN, it is at this stage uncertain that national budget for ICCTF in 2015 will be granted partially or at all.


Contribution to longer-term results

Internal and external audits are essential for building the reputation of ICCTF: they will provide the most credible objective feedback to improve the trust fund's operations in the long run. The results of these activities will help ICCTF to improve its managerial and financial systems as well as human resources. Projects implemented by line ministries provide the solid ground to pursue national mitigation and adaptation targets with partners. Launching a Small Grant Program supporting CSOs is part of ICCTF's long-term strategy to diversify the modalities of climate change programmes and meet the needs of non-government based target groups.

2. Communication and Outreach

Summary

In June 2013, the ICCTF SC Chairman brought together the three largest climate change related trust funds in the country, MCAI, REDD+ Task Force (FREDDI) and ICCTF, to coordinate programs and operations. This was a substantial achievement and had not happened before due to the sensitivity and uncertainty even at the global level on the distinction of REDD+, NAMAs, Green Climate Fund (GCF), and other climate financing mechanisms. In addition, ICCTF brokered nine coordination meetings with relevant Gol programs and other stakeholders, and promoted ICCTF at various international events including those held in Singapore, UAE, Philippines, South Korea and




Fiji as well as the UNFCCC Conference of Parties 19 in Warsaw, Poland. For the national promotion of ICCTF, journalists were invited to witness project activities in the field, which resulted in widespread coverage and a media award given in 2013 by ICCTF.

Progress

ICCTF continued to foster a **rich policy dialogue in 2013**. The dialogues encompassed a broader spectrum of climate change and development issues. This included: (a) Steering Committee meetings engaging various Gol agencies, including those nominated for MWA memberships; (b) policy coordination forum (PCF) involving several Gol financing mechanisms (MCAI, REDD+ Task Force, PIP, ICCTF); and (c) other programs (Musrenbang, RAN-GRK, RAN-API).

The **Policy Coordination Forum** has led to improved coordination and information sharing between GOI financing mechanisms. It could potentially be improved further. An option for ICCTF to receive and channel MCAI and REDD+ grants for climate change related initiatives is considered and explored. One of the Policy Coordination Forum's key outcomes was the commitment between these climate financing mechanisms to improve coordination and sharing of lessons learned at both policy and technical levels. ICCTF benefited from the experience of MCAI in the development of its legal framework such as Permen, Kepmen and by-laws. Avenues of potential cooperation with REDD+ funding, after its legal establishment, have been continuously explored, including possibility of channelling REDD+ funds through ICCTF.

The ICCTF Secretariat managed to expand its policy dialogue to **new partners such as the private sector** community (Indonesian Chamber of Commerce, KADIN), universities and NGO/CSOs who have confirmed their agreement to get involved with ICCTF once the MWA is established. In addition, The Secretariat proactively initiated discussions with new partners such as financial and insurance institutions in 2013. A national commercial bank: Bank Negara Indonesia (BNI) Syariah, and also private insurance firms: PT. Jasindo and PT. Bumida were invited to capture the lessons learned from innovative schemes of climate insurance and feed in the policy discussion. Potential contribution through implementation of corporate social responsibility (CSR) programmes was explored during dialogues with private/business



sector. More details about this potential private sector partnership can be found under the Cross-Cutting Issues: Partnerships section.

Awareness of ICCTF on the national and international scene has increased through the Secretariat's active participation and attendance at major climate related events. Nine international conferences/seminars conducted were attended by representatives of SC, TC and Secretariat focusing on climate financing, mitigation and adaptation. Linked to these events outreach material were produced including newsletters, leaflets, video profiles, fact sheets and posters. These were shared and distributed during dialogues and attendance/participation of major events including those held in Singapore, Abu Dhabi, Philippines, South Korea and Fiji as well as UNFCCC side event of the COP 19 in Warsaw, Poland.

The trust fund also enhanced its visibility by establishing a **new partnership with the Independent Journalist Alliance** (Aliansi Jurnalis Independen - AJI) Jakarta to circulate climate change related content to national media for an increased awareness from the general audience and decision makers among the readership. ICCTF also cooperated with AJI to organize a media award competition and the writer of the best story was invited to cover Indonesia contribution to the UNFCCC Conference of Parties 19 in Warsaw, Poland still with the objective to increase the visibility of ICCTF among decision makers domestic or foreign.

Contribution to longer-term result

The policy dialogue fostered by the Secretariat in 2013 will on the long run benefit ICCTF and improve coordination of climate change related activities in Indonesia. ICCTF's role as the leader of national climate financing portals is strengthened and its visibility increased. For example, the presence of ICCTF at the COP can contribute to disseminate lessons learned to other policy makers in the region or in the world. By presenting and sharing experience of Bappenas and ICCTF particularly on policy framework of climate finance in Indonesia, ICCTF not only increase recognition and publicity of ICCTF at international level but shows the advance it has on the international scene for future resource mobilisation and South-South Cooperation possibly.



3. Organizational Development


Summary

During 2013 the legal basis for ICCTF was established through a ministerial regulation (Permen) and awaits the finalization of a ministerial decree (Kepmen of MWA) for ICCTF to become fully operational as a national trust fund. The national trustee – Bank Mandiri – has already been appointed and will start managing the funds as soon the Kepmen is signed. Operationally, the ICCTF now has a fully functional accounting/ Project Management system (Enterprise Resource Planning) and all staff is under government contract (migrated over from UNDP contract as of 1 January 2013). Standard Operation Procedures such as finance, procurement, M&E are ready and ICCTF will follow these SOPs as soon as the Kepmen is issued.

Progress

ICCTF made significant progress on the **legal establishment** of the Trust Fund (LWA) and its steering mechanism, the Board of Trustees (MWA). Following intensive preparation in the previous years, the Ministerial Regulation (Permen) on establishment of ICCTF as trust fund institution (LWA) was issued on 28 June 2013. This regulation gave ICCTF a formal and legal status as a national trust fund. A draft Ministerial Decree (Kepmen) on ICCTF Board of Trustee (MWA) was finalised and membership structure was agreed upon. Albeit the pending formal nomination of a board member to represent one of the key stakeholders, it is aimed that the Minister of Bappenas will issue this decree by the end of February 2014. Draft Kepmen for establishment of the ICCTF Satker (Working Unit) was also prepared and will be formally proposed by the chair of MWA for signing by the Minister after the MWA Kepmen is issued.

The appointment of Bank Mandiri as PDA (trust fund manager) took place in 2012 but in 2013, ICCTF intensified communication with the appointed **National Fund Manager** (Bank Mandiri) to implement the transition plan approved by the Steering Committee (SC). A contract regulating the partnership between MWA and Bank Mandiri will be signed by early Q2 2014 after the issuance of the Kepmen MWA. In 2013, Bank Mandiri – appointed National Fund Manager in 2012 – was already in operation through ICCTF's escrow account.



ICCTF strengthened its financial accounting system by further developing custom web-based **Enterprise Resource Planning** (ERP) that is set to replace the financial oversight service provided at the moment by UNDP's Atlas system under the PREP-ICCTF project. In addition to a financial module, HR and Project Management modules are being developed. The ERP for financial management was introduced end 2013, and is expected to be used by all trained staff by the end of Q1 2014. The issuance of the Kepmen MWA is a precondition for ICCTF to be fully using this ERP system. Similarly the full implementation of new SOPs produced through capacity development programme supported by UNDP will require the issuance of the decree. SOPs developed in 2013 for all operations of ICCTF, including Finance, HR and M&E, were adopted in August by the SC but will require further adaptation to match the ERP and the reality of the MWA structure.

In 2013, the Secretariat continued to **foster relevant information exchange** on technical climate change issues as a capacity building effort bringing together executing agencies and subject matter expertise. ICCTF Secretariat conducted four Focus Group Discussions or workshops with topics ranging from climate insurance to sustainable peatland management. ICCTF also held six discussions/workshops on code of conducts (by law) and fund raising development between relevant units of Bappenas and development partners. In addition, continuous capacity development support was provided to implementing partners through proposal writing workshops, financial and programming monitoring clinics, structured discussions and coaching/training programme.

ICCTF continues its transition towards national systems also from a **human resource** perspective. All Secretariat staff migrated from 1 January 2014 from UNDP to government modality. The contracts were signed on 31 December 2013 and bind individual ICCTF staff to the National Project Director (NPD) of PREP-ICCTF. This responsibility will be shifted from the NPD to the Executive Director once appointed and after issuance of the Kepmen on MWA. Staff recruitment continued in 2013 including the Director of Funds and Finance (partly funded by BMZ) and Finance Manager. Terms of reference of the Executive Director (ED) position were finalised and approved by Vice Minister of Bappenas/Chair of the Steering Committee. The recruitment process of the ED via national procurement system was initiated and selection process is aimed for completion by March 2014. Recruitment of other vacant positions will be conducted by the end of Q1 2014.



To set its long-term vision, ICCTF has initiated the revision of a **Business Plan** in late 2013. The Business Plan revision process has been conducted along with the development of a fund raising strategy supported by an adviser from the German Centre for International Migration through a GIZ-supported project funded by the Federal Ministry of Environment (BMU) of Germany. Preliminary concepts were presented at the SC meeting held in December 2013. The final draft will be presented to the SC meeting by end of Q1 2014 for an expected completion by July 2014.

Bappenas allocated in 2013 again **counterpart funding** as an effort to develop the capacity and activity of ICCTF. In 2013, IDR 600 million (approx. USD 49,500) were allocated from the state budget to support specific activities of ICCTF operations.

Contribution to longer-term results

The issuance of Ministerial Regulation (Permen), the finalization of all SOPs and the development of ERP system in 2013 will help ICCTF to become a credible and independent organization as well as to get national and international recognition. Provided the issuance of the Kepmen, ICCTF has all the necessary regulations and capacity to operate independently and use the services of its Trustee to implement new projects in a future call for proposal. It puts ICCTF in the right position to be the default implementation platform for RAN-GRK, RAN-API and NAMAs.



2

Challenges and Responses

The PREP-ICCTF project faced several challenges to accomplish the planned targets in 2013.

ICCTF is continuously developing its capacity and strengthening its core functions as a national trust fund despite the challenges in its initial phase. Most challenges are linked with the imminent legal establishment of ICCTF as a purely national entity and the transition away from UNDP's trusteeship. The following table summarizes these challenges and how they were addressed.

Table 2: Challenges and Responses

	Challenges	Management Responses
Strategic	Leadership and strategic positioning of ICCTF are affected by the absence of the Executive Director and additional staff yet to be recruited	After clearance by Bappenas, the Secretariat expected to advertise the position of the ICCTF Executive Director in the second half of February 2014 for him or her to be on board in April
	Stronger alignment is required with national objective set by the RAN-GRK, RAN-API and strategic objectives set by the SC and in the future with the Board of Trustees	With the policy coordination forum and continuous policy dialogue, ICCTF plays an important role in improving coordination and alignment. Linkages of ICCTF Secretariat and RAN-GRK Secretariat may be strengthened after consultation with Bappenas in 2014



Challenges	Management Responses
<p>Institutional</p>	<p>ICCTF must improve the capacity of its operations including results-based management, finance, communication and human resources.</p> <p>Capacity development activities approved by the SC in 2013 will continue in 2014. Among other things, the ERP will be further developed to replace UNDP's Atlas. The Secretariat will strengthen its reporting and communication capacity by recruiting a communication officer being advertised since end of 2013. SOPs for the operations of ICCTF were approved by the SC but must be adapted in 2014 to the reality of ICCTF operating as a work unit of ICCTF.</p>
<p>Financial</p>	<p>ICCTF and BAPPENAS need to prioritize the arrangement of fundraising activities and strategy to deal with financial shortage in the beginning of 2014 project implementation.</p> <p>Through the GIZ-implemented technical assistance to ICCTF, a Director of Fund and Finance from the German Centre for International Migration (CIM) is on board and in charge of the development and implementation of a fundraising strategy and investment strategy to be approved by the SC in 2014.</p>
<p>Operational</p>	<p>Government regulation on grant mechanism may not allow the implementation of Small Grant Project (SGP) for CSOs directly. Also ICCTF's SOPs does not mention about implementation of SGP, mechanism to channel fund and how to monitor and evaluate SGP</p> <p>After having clarified the processes of awarding small grants to civil society organizations, Bappenas allowed ICCTF to issue a Call For Proposal for small grants in January 2014. Proposal must be submitted by the end of February and successful projects completed by the end of November 2014. ICCTF will then prove its ability to manage small grant projects for future engagement with the civil society and the private sector in addition to line ministries.</p>



Taking the soil sample at ICCTF-MoA project site at sago forest in Mimika, Papua



Seaweed farming as an alternative livelihood for fishermen community at ICCTF project site in Bau-Bau, Southeast Sulawesi



3

Cross Cutting Issues

Gender

The gender mainstreaming process is part of ICCTF objectives because in fighting against climate change differentiated roles of men and women expose them to different risks. Gender mainstreaming is incorporated into and is promoted in the design of new project proposals with line ministries that will ensure that awareness of gender issues and respect for the equality of both sexes are reflected throughout the activities. ICCTF takes into account sensitivity to gender issues in all policy, programme, administrative and financial aspects of the organization.

ICCTF supports gender mainstreaming and recognizes the need to prioritize the support to female community members to empower them in decision-making and thus elevate their status in the society. For example, the sustainable peatland management project from Ministry of Agriculture located in Central Kalimantan intentionally gave women an equal chance in participating in field activities. The project consists of intercropping pineapple with rubber trees to provide income from cash crops and longer-term crops. Women are encouraged to participate in the land-clearing exercise beforehand without using fire and they receive a financial incentive for this task. Women also take an active role in the harvest of pineapples which can then be sold and generate additional income for the entire household.



Partnerships

In 2013, ICCTF has deepened the partnership with the USAID-funded regional programme of ADAPT Asia-Pacific to improve the selection process and criteria for climate change adaptation (CCA) projects. ADAPT Asia-Pacific also provided insights supporting the development of a results-based management framework and linkages with national objectives for CCA. To finish, ADAPT Asia-Pacific and ICCTF cooperated in the development of a project pipeline with potential executing agencies to develop project proposals that will enter the next call for proposal. At this stage, six proposals developed by line ministries and NGOs are ready to be implemented. The cooperation is scheduled to be completed by February 2014.

The Secretariat intensified joint efforts with the German International Cooperation (GIZ) through a new initiative funded by the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMU) of Germany. The objective of this partnership is to optimize the capacity development offered by GIZ to the ICCTF Secretariat. In parallel and funded by the German Government, an integrated expert from the German Centre for International Migration and Development (CIM) is assigned as Assistant Director for Fund and Finance since October 2013. This integrated expert is expected to craft and launch a resource mobilization and funding strategy for ICCTF Secretariat for 2015 and beyond.

The Secretariat proactively initiated discussions with new partners such as financial and insurance institutions in 2013. A national commercial bank: Bank Negara Indonesia (BNI) Syariah, and also private insurance firms: PT. Jasindo and PT. Bumida were invited to capture the lessons learned from innovative schemes of climate insurance. Through this insurance scheme, vulnerable farmer communities shield themselves from the adverse impact of climate change in this case, failed crops. In 2014, ICCTF will pursue this new partnership to adapt the idea to fishing communities and to propose climate insurance schemes to policy makers from the Ministry of Marine Affairs and Fisheries to protect the fishing industry from fluctuating productivity and income due to the changing climate.

The trust fund has also established partnership with the Independent Journalist Alliance (Aliansi Jurnalis Independen - AJI) Jakarta to circulate climate change related content to national media for an increased

visibility and awareness from decision makers among the readership. ICCTF also cooperated with AJI to organize the ICCTF Media Award. The Main Winner was invited to cover ICCTF's contribution to the UNFCCC Conference of Parties 19 in Warsaw, Poland with the objective to increase the visibility of ICCTF among decision makers domestic or foreign. This new partnership will be beneficial for ICCTF's future advocacy work for climate change especially relevant in 2014, the year of major government reshuffle due to the upcoming presidential elections.

Risk Management

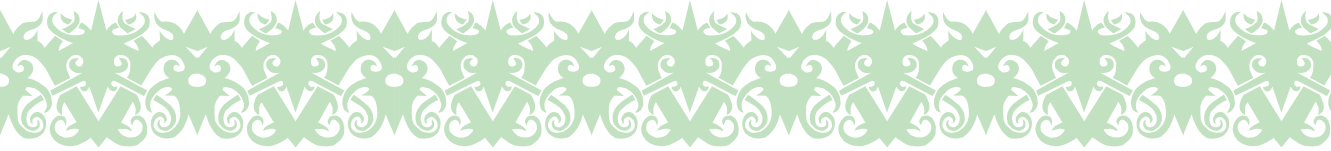
The table below summarizes the potential risks – present and future – identified by the Project Management Unit that could threaten the successful implementation of the PREP-ICCTF project:



The process of steel smelting at PT. Pindad, one of the beneficiaries of ICCTF projects

Table 3: Risk Management

	Rating (low/ medium/ high)	Mitigation Strategy
Financial		
The Secretariat may not be able to inject new financial commitment in the trust fund by the end of the PREP-ICCTF project in December 2014.	Medium	Bappenas stated to allocate USD 30-50 million state budget in 2014 to be utilized starting from 2015 - 2019. In 2014 PREP-ICCTF must support Bappenas application for these funds so that it can be used in 2015. In parallel, PREP-ICCTF started approaching potential donors such as USAID and DANIDA to mobilize funding by the end of 2014. Traditional donor funding is a mitigation strategy to the risk that APBN envelope for ICCTF in 2015 might not be granted at all or partially.
Political		
Presidential elections will incur cabinet reshuffling and readjustments in several layers of government agencies including Bappenas at the end of 2014	Medium	The election of the new president and implications are beyond the control of the PREP-ICCTF project and the Secretariat. However, in 2014 ICCTF can leverage a partnership with a journalists' association to promote publicly the importance of climate change and the role of ICCTF in the achievement of the 2020 emission reduction objective to potential presidential candidates.



	Rating (low/ medium/ high)	Mitigation Strategy
Regulatory		
Issuance of regulatory framework on the establishment and operational of MWA-LWA does not occur before the end of Q1 2014	Low	ICCTF Secretariat has proposed the final draft of the Ministerial Decree on MWA, by-laws and SOPs. The Decree is still pending approval from Bappenas authority but will expected to be issued within the due timeframe. Any delay will postpone activities that require ICCTF to have a national Board of Trustees. This includes the exchange of letters (surat keputusan) between Ministry of Finance and Bappenas to include ICCTF as a work unit (Satuan Kerja, Satker) of Bappenas. Although preliminary discussions took place, the timeline depends on the approval of Bappenas.
Strategic		
Profiling from ICCTF to access vertical funds such as the Adaptation Fund, GEF or the future Green Climate Fund is not sufficient yet.	Medium	Utmost priority has been put on the legal establishment of a fully national setup. Once finalized with the issuance of the Kepmen MWA, ICCTF can focus on meeting the requirement of vertical funds. The accreditation by the Adaptation Fund board was unsuccessful in 2012 and learning from this experience the Secretariat may want to seek for accreditation once again with increased capacity and a national status. As for the Green Climate Fund, 2014 is still premature to consider accreditation of the trust fund to access this vertical fund; however, the Secretariat will keep itself abreast of developments surrounding the fund.

Lessons Learned

Entering its last year of implementation, the ICCTF Secretariat not only achieved the major result of setting up the trust fund legally but successfully implemented project and demonstrated its capacity to do so. The following table is a summary of the lessons learned from the implementation of PREP-ICCTF which could add to the community of practice centered around the establishment of trust funds or climate financing at large:

Table 4: Lessons Learned

Lessons Learned	
Project Management	Project management is eased by the regularity of operations such as call for proposals and development of project proposals. Ensuring regular and well communicated call for proposals contribute to the quality of projects funded later on and help the management to anticipate work load and other challenges. Well-funded operations is of course a precondition to stability and regularity of operations.
Strategic	Only the central government can set the long-term vision for the establishment of a national trust fund. External assistance can provide the technical expertise to do so but elements of durable sustainability such as state budget and human resource allocation must be integrated into the national work plan of the host institution.
Institutional	Building credibility and trust of a new institution among a competitive landscape of stakeholders is a key element of institutional sustainability. Creating a good track record for a new entity should be kept a priority and requires solid support functions. Financial management, communication, monitoring and reporting are reputational currencies for an institution to support fund mobilization.



Conclusions and Way Forward

Results achieved in 2013 are instrumental to reaching the objectives set in 2014 for ICCTF to become the first nationally managed climate change trust fund in Indonesia:

- The transition process and new institutional arrangements from PREP-ICCTF to ICCTF are nearing completion in line with the Presidential Regulation No. 80/2011 on national trust funds.
- National Fund Manager is selected and ready to support the trust fund.
- Through the Policy Coordination Forum ICCTF affirms its coordinating role in the climate change panorama and will continue to support Bappenas in organizing similar fora.
- Increased recognition of ICCTF as a leader in climate change financing in Indonesia and in the World.
- Identified potential donors were identified through preliminary discussion that could lead to contributions to ICCTF, such as Danida, USAID and Gol through APBN in 2015
- External/Internal audits and independent reviews reinforced the credibility of ICCTF's operations and management structure. Acknowledging the recommendations of these reviews, ICCTF expects to comply with international standards of climate financing institutions which is a precondition to access international funds such as Adaptation Fund and Green Climate Fund in the future.
- ICCTF continued to strengthen its operations through existing thematic windows and expanded its mode of delivery to the civil society through a Small Grant Programme and give means for new stakeholders to mitigate and adapt to climate change.

The Secretariat continues to demonstrate its growing capacity to manage funds and leverage through relevant projects utilizing ICCTF's platform, gradually proving the viability of its operations to become independent of UNDP systems and guided by an even more stronger collaboration with the RAN-GRK and RAN-API Secretariats in the future.

PREP-ICCTF is in its last stage of implementation and UNDP's support in the year is scheduled to gradually phase out but maintain financial accountability and quality assurance until the end of December 2014.



ICCTF Secretariat staff conducted programmatic monitoring to ICCTF-MoA project site in Jabiren, Central Kalimantan



ICCTF Activities in the Media

ICCTF has established relationship with local and national media. The following are some of ICCTF activities that had been published in the media.

Peatland management could prevent forest fires

Published in The Jakarta Post on Oct. 01, 2013

An official from the country's climate change body has said that the effective management of peatland by farmers could reduce the amount of carbon dioxide released into the atmosphere and prevent the incidence of forest fires.

"In Indonesia, traditional farmers convert peatland into rubber and oil palm plantations. Inappropriate land activities, such as clearing land by using slash-and-burn methods, as well as draining peatland contribute to a massive release of carbon," head of the Indonesia Climate Change Trust Fund (ICCTF), Syamsidar Thamrin, said late last week during a visit to Central Kalimantan.

According to 2010 data from the ICCTF, Indonesia's peatland covers more than 20 million hectares and stores more than 40 gigatons of carbon. Climate change eventually leads to high temperatures and drought, which causes peatland fires in some provinces in Indonesia, including Riau, South Sumatra, Central Kalimantan and West Kalimantan.



These peatland fires contribute 25 percent of Indonesia's total carbon emissions, according to the ICCTF data.

"To minimize peatland fires and reduce gas emissions, farmers should be involved in managing degraded peatland," Syamsidar said.

A researcher on the emission of peatland gas at the Agriculture Ministry, Fahmudin Agus, said the peatland could be converted into productive farmland with the right methods.

He said that the soil, which is made of plant material remains and water mixture, had a high level of acidity. "This high level of acidity could make it difficult for farmers to grow plants like tomatoes, corn, cabbage or pineapples," he said.

Fahmudin said that farmers could reduce the high acidity levels by pouring more chicken droppings, grass ash and dolomite limestone, known as peat ameliorants, onto it.

"Some farmers from Jabiren Raya district in Central Kalimantan, for example, have applied these ameliorants onto the peatland as a pH buffer and nutrient, which turns the peatland into agricultural land," he said.

He added that farmers could also reduce the risk of fires from the drained peatland by creating a water management system and clearing the land from ferns and grassland, which were highly flammable.


"The water management system could include creating artificial water canals to surround the peatland and reserve water for the peatland. All [these options] have been ignored by farmers for years."

Sustainable peatland management in Central Kalimantan was introduced in 2010 by the Indonesian Agency for Agricultural Research and Development in collaboration with the National Development Planning Board (Bappenas) under the framework of the ICCTF.

"We asked a respected farmer in Jabiren Raya district, Pulang Pisau regency, Central Kalimantan, to participate in our agricultural training. That farmer had five hectares of land, which has become degraded due to fires," the ICCTF's national project manager, Amin Budiarjo, said.

Read more at

<http://m.thejakartapost.com/news/2013/10/01/peatland-management-could-prevent-forest-fires.htm>



Indonesian Peatland Project is offering a New Way to Curb Forest Fires

By Erwida Maulia, published in Jakarta Globe on Sept. 30, 2013

The residents of Jabiren faced a nervous wait in October last year as fires raged in the peatlands around their village.

“Fire stormed this area — including that land across from here,” said Muhrizal Sarwani, the head of the Agricultural Land Resources Agency (BBSLDP), pointing at an abandoned field across a nearby ditch. “All other places were affected by the fire, except for this site.”

While other tranches of land in the area — peat, mostly — were degraded by a particularly uncompromising fire in 2005 that laid waste to the forest covering, this five-hectare plot is still standing. Now, the government and environmentalists believe that the lessons learned here can be put to work at lessening the impact of one of the world’s most pressing environmental problems — Indonesia’s ticking carbon time bomb.


The Sustainable Peatland Management project began in 2010 across five different pilot sites in the archipelago after it was proposed by the Ministry of Agriculture and had its funding approved by the Indonesian Climate Change trust Fund (ICCTF). Jabiren was one of the locations chosen — the Central Kalimantan arm of the project is scheduled to run until 2014.

“[Peatlands] here have been degraded for quite a long time, and have repeatedly fallen victim to fires,” Muhrizal said during a visit to the project site in Jabiren last Thursday.

He puts the success of this project, so far, down to three focuses that depart from the status quo— raising the level of the water table, the use of peat ameliorants and inter-cropping.

Fahmuddin Agus, a soil expert with the BBSLDP, places a particular emphasis on addressing the level of water below the ground.

“We need to keep the water table at a level as shallow as possible,” Fahmuddin said. “If it’s too deep, more soil will burn when fire strikes.”



Project staff installed a water gate on an edge of the ditch encircling the site to keep the water table at a depth of between 50 and 85 centimeters, Muhrizal said. The Jabiren peat layer is around six meters deep.

In addition to fertilizers commonly used as nutrients for plants, the project used peat ameliorants to reduce acidity — peat frequently registers around 3pH. A level of at least 5.5pH is required for plants to grow.

While the healthy water table and use of ameliorants are largely invisible to the untrained eye, the third factor that sets this project apart is easier to spot. In contrast to the usual mono-cultural assembly lines, the rubber plantation columns here are punctuated by rows of pineapple trees. In addition to making the land more productive, intercropping makes the land less flammable.

“Planting the pineapples also means weeding the rubber plantation, which minimizes competition for water and nutrients between rubber trees and weeds,” Fahmuddin said. “But it also minimizes the ‘fire bridge’ where weed grows between rubber trees, as often happened in the conventional system.”

Read more at

<http://www.thejakartaglobe.com/news/how-an-indonesian-peatland-project-is-offering-a-new-way-to-curb-forest-fires/>

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