

Climate Finance for WASH: Indonesia



Water, sanitation and hygiene (WASH) is integral to supporting community climate resilience that ensures no one is left behind. Inclusive, climate-resilient WASH goes beyond infrastructure to ensure that solutions meet the needs of the most marginalised and can continue functioning in the face of climate hazards.

Accessing climate adaptation financing for WASH projects has been a challenge for civil society organisations (CSOs) due to a number of procedural, design and systemic barriers. This brief provides a short overview of the climate finance available for the WASH sector in Indonesia. It identifies the main barriers to climate finance access and highlights proven pathways to funding. It also recommends ways for CSOs and funders (primarily donor governments and multilateral development banks) to improve access to funds for climate-resilient WASH. It is one of a series of briefs covering several countries in the Asia and Pacific region. It is based on analysis of secondary data from a desk review and interviews with key climate finance stakeholders¹ in late 2022.

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Introduction

Indonesia's Enhanced National Determined Contribution (ENDC) estimated that USD285 billion is needed for planned climate change mitigation and adaptation actions between 2018 and 2030. The ENDC anticipated more intense climate hazards and incorporated enhanced ambitions on climate change adaptation action, including in water resources management (WRM) and urban sanitation² (see [Annex A](#)).

Over the past 25 years, Indonesia's greenhouse gas (GHG) emissions have increased at a staggering rate. Increasing domestic GHG emissions have negative consequences for the country's development, as well as the global environment. The Government of Indonesia's initial response was the formulation of the National Action Plan for GHG Emissions (RAN-GRK) in 2010. In 2019, the Indonesian government developed a national action plan for climate adaptation (RAN-API), which serves as Indonesia's National Adaptation Plan. RAN-API identifies four priority sectors, namely water, agriculture, marine and coastal, and health (including sanitation and hygiene).

Existing climate funds in Indonesia refer to RAN-GRK and RAN-API as the frameworks for financing implementation of climate change actions in Indonesia. The RAN-API does not mention sanitation and hygiene directly, but WRM, which includes water for household use, is addressed comprehensively. WRM's prioritisation for climate support and finance provides opportunities for WASH initiatives.



Indonesia is ranked in the [top-third](#) of countries in terms of climate risk, with high exposure to flooding and extreme heat, both of which are expected to intensify as the climate changes

Overview of Indonesia's climate finance for WASH and WRM

Indonesia is already receiving substantial financial pledges and commitments for climate change responses, including in the WASH and WRM sectors, from national, bilateral and multilateral donors and the private sector. Some examples of the major funds are described below.

Large global funds

The Green Climate Fund

- In Indonesia, the Green Climate Fund (GCF) has provided USD296 million in grants through international and national (direct) access modalities.
- Presently, only one major project (approximately USD18 million)³ related to climate change mitigation is underway in the WASH sector in Indonesia. The project aims to provide low-carbon solutions to water supply, sewerage and sanitation services.
- Similar to other global funds, the GCF has two national accredited entities with which it partners to fund and implement projects, namely Kemitraan and PT SMI (a corporation).

- Kemitraan has been partnering with local organisations to carry out a range of climate-related activities, including the development of funding proposals and the management and monitoring of projects.

The Global Environment Facility

- The Global Environment Facility (GEF) is one of the largest global climate financiers in Indonesia. It has provided around USD116 million in grants (all through international and regional modalities) for both mitigation and adaptation projects.
- Only one GEF project is WRM-related⁴ – the USD5 million Strategic Planning and Action to Strengthen the Climate Resilience of Rural Communities project, implemented in Nusa Tenggara Timur province.
- The Ministry of Environment and Forestry is the GEF Focal Point in Indonesia and must endorse all projects.
- Several local CSOs received funding from the GEF's Small Grants Programme to implement climate-related water supply and WRM projects.

The Adaptation Fund

- In Indonesia, the Adaptation Fund (AF) has supported projects worth ~USD10 million. Two projects are WRM-related, and have received ~USD2 million. The AF is focused on responding to local needs and context, unlike the GEF, which is more internationally driven.
- The AF has a national organisation in Indonesia, Kemitraan, which can receive direct funding for adaptation projects. Kemitraan has been engaging local organisations as executing entities to implement projects, allowing other CSOs to access funding from the AF.

Government funding

The Indonesia Climate Change Trust Fund

- The Indonesia Climate Change Trust Fund (ICCTF) is Indonesia's national government-owned financial mechanism, established in 2009. It is currently funded by the national budget and from other development partners such as the Asian Development Bank (ADB) and the World Bank. ICCTF's annual grant funding has increased steadily over the last five years, from USD1.4 million in 2016 to USD5 million in 2021.⁵
- Since its establishment, ICCTF has been funding local CSOs and institutions to implement 88 climate change mitigation and adaptation projects across Indonesia, focusing on land-based and marine-based mitigation. Project values range from USD70,000 to USD300,000.
- ICCTF funds some WRM and rural water supply projects; by 2018, it had supported the provision of 656 deep wells, 224 catchment wells and reservoirs, and 100 rainwater harvesting tanks.⁶

Other funding opportunities

- Climate financing for WASH in Indonesia is provided by the British, Danish, Canadian, New Zealand, United States (through USAID's Tangguh and APIK programs) and Norwegian embassies, ranging from USD20,000 to USD150,000 per project. Most projects do not focus on the WASH sector, but they have funded local CSOs and grassroots organisations to implement small-scale climate-resilient WASH projects.
- The Australian Government's Department of Foreign Affairs and Trade (DFAT) offers several partnership opportunities for CSOs. The Water for Women Fund⁷ aims to improve the health, gender equality and well-being of Asian and Pacific communities by strengthening inclusive, climate-resilient WASH service delivery and systems.
- The private sector in Indonesia has funded various climate change and WASH projects through local and international organisations. Starbucks, Bayer, Coca-Cola Foundation, Unilever, BNI and Grundfos have funded Mercy Corps, World Vision, Plan International and local CSOs to implement small-scale climate change and WASH projects. CSOs can access finance from the private sector relatively easily, and use it to pilot climate change and WASH initiatives.

Barriers to CSOs accessing finance

Top three barriers to CSOs

- 1. Lack of direct access to funders.** In many cases, CSOs must seek funding via intermediary agencies or accredited entities rather than direct from funders. Accreditation challenges faced by CSOs are often related to a lack of evidence that environmental and social risks are tackled systematically at an organisational level. CSOs also struggle to demonstrate that their policies and mechanisms are transparent, ensure gender mainstreaming in operations, and perform donor management functions. The management requirements of some funders can be much more onerous than those of traditional development funders.
- 2. Difficulty in meeting all project requirements.** Many CSOs struggle to meet the requirements and conditions for project approval, such as local ownership, adaptation or mitigation criteria, stakeholder engagement, and co-financing. Attempting to meet these criteria distract CSOs from focusing on their key issues.
- 3. Lack of relevance to national frameworks.** Insufficient connection of project designs with the NDC, RAN-GRK and RAN-API can prevent CSOs from obtaining climate funding. Project proposals must align with the country's climate change strategies, but many do not articulate tangible relevant projects. WASH issues do not feature significantly in these strategies.

Recommendations and opportunities

For civil society

- Demonstrate strong programmatic capacity and experience in climate change mitigation and adaptation. CSOs should also establish partnerships (both at institutional and individual levels) with the Indonesian Ministry of Environment and Forestry, and particularly with the Climate Change Directorate General.
- Seek to network beyond peer organisations, particularly with other CSOs working on climate projects. This has driven success for others, particularly in accessing climate finance from the private sector and embassy posts. CSOs reported that being actively involved in public diplomacy activities held by embassy posts in Jakarta, and bilateral programs, increased their opportunities to access climate finance.
- Work with successful organisations such as Kemitraan; CSOs should explore how to learn from their experience in applying for accreditation to become implementing entities.
- Expand engagement with private sector organisations such as the Indonesia Global Compact Network and Corporate Forum for CSR Development to increase profile and establish partnerships.

For more information, see Water for Women's finance brief for civil society organisations: [Improving opportunities for civil society to access climate adaptation funding for WASH](#)



A student accesses a handwashing station installed by Yayasan Plan International Indonesia at their elementary school in East Nusa Tenggara province
Credit: Yayasan Plan International Indonesia

Pathways to access funding



— Provide clear evidence of climate-related need for proposed project interventions



— Support sector-wide efforts to build evidence about WASH's contribution to resilience and mitigation and the impacts of climate hazards on WASH



— Link proposed activities directly to climate mitigation or adaptation outcomes



— Check what else is being done and reference and build on existing climate programs



— Directly align proposals with national targets and plans



— Seek to collaborate with other sectors so that WASH is included as part of larger programmes



— Build and maintain relationships with donors and advocate for inclusion of WASH in future programs

For funders

- Climate financiers, the GEF and GCF in particular, should increase accessibility for local CSOs. Direct access barriers prevent local and international CSOs from gaining accreditation, so projects are often designed at an international level rather than for the local context. Trust funds should be set up to offer finance specifically for national access. Funders should recognise and seek to replicate the successes of funding organisations such as Kemitraan and Yayasan Java Learning Center (see [Annex B](#) for more details).
- As WASH is critical for climate resilience, funders should prioritise investments and enhance its focus within climate finance.

For more information, see Water for Women's finance brief for funders: [Accelerating adaptation finance for climate-resilient WASH in Asia and the Pacific](#)

Conclusion

Despite being included in the NDC and National Adaptation Plan, the WASH sector is not being prioritised and hence is underfunded by various climate finance facilities in Indonesia. Several global trust funds, a national trust fund, bilateral programs and private sector organisations are financing water supply and WRM projects as part of increasing climate resilience in Indonesia. However, Indonesia's WASH sector is still not using climate finance optimally.

To strengthen national and local ownership of trust funds, there is further work to do in unlocking climate finance for national and local CSOs. Climate financiers, particularly GEF and GCF, should fast-track their engagement with CSOs to accelerate climate finance flows to Indonesia's WASH sector. CSOs should also learn from organisations that have succeeded in accessing climate finance in Indonesia.

Endnotes

- ¹ CARE Indonesia, Global Environment Facility Small Grants Programme (GEF-SGP) Secretariat, Indonesia Climate Change Trust Fund (ICCTF), KAPABEL, Kemitraan, Kopernik, Mercy Corps Indonesia, Ministry of Environment and Forestry, Ministry of Finance, Payo Payo, United Nations Development Programme, United States Agency for International Development (USAID) Tangguh, World Vision Indonesia, Yayasan Java Learning Center (Javlec)
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- ⁴ Global Environment Facility, *Project Database*, GEF, 2022, accessed from https://www.thegef.org/projects-operations/database?project_search=sanitation
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- ⁷ Water for Women Fund, *About Water for Women*, accessed from <https://www.waterforwomenfund.org/en/index.aspx>
- ⁸ Java Learning Center, *Perjalanan Program – Milestone of Javlec*, Javlec, 2020, accessed from <https://javlec.org/perjalanan-program-javlec/>
- ⁹ Indonesia Climate Change Trust Fund, *Gunung Kidul Selected To Pilot Climate Change Mitigation Efforts* [media release], ICCTF, 15 April 2017, accessed from <https://www.icctf.or.id/gunung-kidul-selected-to-pilot-climate-change-mitigation-efforts/>

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Annex A. Examples of WASH-related strategies in the ENDC

The Government of Indonesia is committed to mainstreaming climate change adaptation in watershed management to reduce risks and loss as a result of climate-related natural disasters. It has also pledged to implement an integrated upstream and downstream approach in forest rehabilitation and restoration, watershed management planning, and protection of terrestrial water resources.

The Government of Indonesia is committed to enhancing the efficiency of wastewater treatment plants (city/communal/regional-scale) using aerobic systems, improving the effectiveness of sludge treatment plants to enable removal and treatment of septage, and scaling up the use of biodigesters and biogas utilisation.

Annex B. Case studies of best practice in accessing climate finance

Many CSOs struggle to receive accreditation from multilateral trust funds. Kemitraan is the only organisation in Indonesia with AF (2016) and GCF (2020) accreditation. Kemitraan's AF accreditation took slightly more than two years, and GCF accreditation took another year. Due to its strong record in managing AF projects, Kemitraan was reaccredited in 2021. Kemitraan used AF accreditation as a fast-track path to GCF accreditation.

Through the AF, Kemitraan has received USD10 million to implement five projects in which all executing agencies are local organisations. All five projects addressed sectoral priorities in the RAN-API and were co-designed with the local organisations. Two projects are on water security and watershed management, with a total project value of USD1.9 million; KAPABEL and Payo Payo are the executing agencies. These organisations were long-time Kemitraan partners before it acquired AF accreditation.

Kemitraan undertook lengthy consultations with the Ministry of Environment and Forestry (the Designated Authority for the AF) during the design phases for all five projects. The projects' strong relevance to RAN-API and the comprehensive co-design and consultation processes enabled Kemitraan to overcome the program development and relevance barriers that other organisations could not.

As Kemitraan grows its climate change portfolio, it has been expanding its network with local environmental organisations. Kemitraan aims to strengthen its climate change networks with local organisations, because it intends to develop larger projects and apply for GCF funding.

Another example of best practice in accessing climate trust funds comes from Yayasan Javlec which received corporate social responsibility (CSR) funding from BNI to implement a housing and sanitation improvement project in 2014. The project gained much recognition due to its success in promoting dry toilets in an area with scarce water resources. In the following year, Yayasan Javlec started its climate portfolio by receiving climate finance from USAID's Millennium Challenge Account (MCA)⁸ to implement a sustainable forest management project. Through its engagement with the MCA, Yayasan Javlec became a partner of USAID, the British Embassy, and the Norwegian Embassy, which also funded other local organisations to conduct similar projects. This led to Yayasan Javlec being recognised by ICCTF and receiving USD255,851 in 2016 to implement a watershed management and water resilience project in 20 villages in Yogyakarta Province. The villages are located in a drought-prone area, therefore Yayasan Javlec reforested to restore groundwater and built several retention basins to provide clean water for the villages. ICCTF reports that the project will sequester an estimated 64,797 tonnes of carbon dioxide as its 66,800 tree seedlings grow to maturity,⁹ and that the fresh water supplies for the villages increased their climate resilience.

Due to its success in implementing its ICCTF-funded project, Yayasan Javlec has since received climate finance from multiple corporations in Indonesia. One of its current climate projects is enabling rainwater collection and use through the provision of around 6,000 rainwater tanks in seven villages, strengthening their water security.

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Header image: An aerial view of Seketeng Market in Sumbawa, Indonesia.

Credit: Yayasan Plan International Indonesia

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Limitations: The finance information in this brief was collected from online sources and interviews and was correct when compiled. Unfortunately, reporting of WASH and climate finance in Indonesia is not comprehensive; most figures provided represent total funds invested or available.



Learn more
wfw.fund/WASHFinancing

About Water for Women

Water for Women supports improved health, gender equality and wellbeing in Asian and Pacific communities through socially inclusive and climate-resilient water, sanitation and hygiene (WASH) projects and research. It is the Australian Government's flagship WASH program, investing AUD154.9 million over seven years. Water for Women is partnering with civil society organisations, research organisations and local partners to deliver 40 projects in 16 countries from 2018 to 2024. Knowledge and learning are central to Water for Women, positioning the Fund as an important contributor to global knowledge development and sharing in inclusive and climate-resilient WASH. Water for Women's Learning Agenda promotes collaborative learning, knowledge development and sharing to support long-term transformative change to WASH policy and practice globally.

Find out more at
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