CDP
DISCLOSURE INSIGHT ACTION

Guide to Climate Finance for Local Governments in Indonesia

August 2023

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CDP is grateful for the support of the Global Covenant of Mayors for Climate & Energy in producing this guide.

Overview & key takeaways

Three years into the United Nation's decisive 'decade of action' to combat climate change, cities are leading the way in developing climate mitigation and adaptation strategies across the globe. Simultaneously, local governments continue to face immense obstacles in accessing the finance needed to turn their plans into action, particularly in the Global South. As the world's fourth most populated country, with a rapidly developing economy and at the frontline of climate-related risk, Indonesia serves as a test case for the need to scale investment into climate solutions.

This guide has been created by CDP as a preparedness tool for Indonesian city officials as they develop climate resilient and sustainable infrastructure projects. The contents of this resource are designed to be applicable across a broad subset of local and regional governments in Indonesia with differences in population size, demographics, climate conditions, and political environments. This guide is a resource for local governments with a particular interest in advancing the implementation of sustainable, resilient, and equitable infrastructure projects.

It first provides a high-level overview of the project preparation process and a discussion of financial instruments and options available for development. Part two of this guide provides an overview of technical assistance and guidance on accessing funds to finance climate resilient projects in Indonesian cities.

As a result of using this guide, Indonesian city officials will better understand the existing finance ecosystem for climate and sustainable infrastructure projects. They can use this knowledge to make informed decisions, secure partners and advance the implementation of resilient and sustainable infrastructure projects.

Introduction

16 cities

in Indonesia disclosed climate-related infrastructure projects in 2022 through CDP-ICLEI Track totaling

USD 453 million

33%

of the projects disclosed by Asia Pacific cities do not have estimated costs, highlighting the gap faced by cities in the region when it comes to understanding financing needs.

With 57% of Indonesia's population living in cities[1], climate change poses an urgent threat to the country's urban areas. Indonesia is highly vulnerable to climate impacts due to its geography and economic reliance on natural resources, whilst its cities are at risk from severe hazards, such as flooding, sea-level rise, extreme heat, and drought. One of the most pressing concerns in Indonesian cities is flooding, which can cause widespread damage to infrastructure and homes, as well as loss of life. The country has experienced several devastating floods in recent years, resulting in the displacement of thousands of people and significant economic losses. Rising sea levels also pose a real threat to coastal cities, home to large populations and critical infrastructure[2].

Indonesia is also the world's fifth largest greenhouse gas emitting country[3]. It is committed to reducing its emissions by 43.2% from business-as-usual (BAU) by 2030, with a vision to achieving net zero by 2060 or sooner, according to its latest NDC (Nationally Determined Contribution)[4].

To get there, Indonesia needs to mobilize around USD 322 billion[5] to achieve its NDC target. Therefore, all levels of government can play a role in generating project pipelines and channeling climate financing to climate-related infrastructure in Indonesia.

In 2022, 16 cities in Indonesia disclosed climate-related infrastructure projects through CDP-ICLEI Track totaling USD 453 million. Almost all projects disclosed by Indonesian cities are seeking either partial or full funding.

There are several market barriers that can prevent local governments in Indonesia from accessing funding for infrastructure projects, such as: lack of credit worthiness, high borrowing costs, lack of available funds and lack of bankable projects. Based on cities' disclosure through CDP-ICLEI Track in 2022, 33% (56) of the projects disclosed by Asia Pacific cities do not have estimated costs[6], highlighting the gap faced by cities in the region when it comes to understanding financing needs. Therefore, this gap needs to be addressed by providing information on how cities can maximize the resources available to them. This guide aims to support local governments in Indonesia increase their understanding of the mechanisms and resources available to them for accessing finance for climate-related infrastructure projects.

1 The World Bank – Data, 2021, https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=ID
2 Source: World Bank Knowledge Portal. https://climateknowledgeportal.worldbank.org/country/indonesia/impacts-sea-level-rise
3 Climate Watch. 2022. Washington, DC: World Resources Institute. Available online at: https://www.climatewatchdata.org.
4 Enhanced Nationally Determined Contribution, Republic of Indonesia. 2022. https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022_Enhanced%20NDC%20Indonesia.pdf
5 Source: CNBC Indonesia. Link: https://www.cnbcindonesia.com/news/20221118201327-4-389459/capai-karbon-zero-2030-ri-butuh-rp-5000-t-duit-dari-mana
6 CDP Asia Pacific Climate Finance Snapshot. https://www.cdp.net/en/research/global-reports/asia-pacific-cities-climate-finance-snapshot

Step 1

Enabling environments, climate strategy development, and project preparation

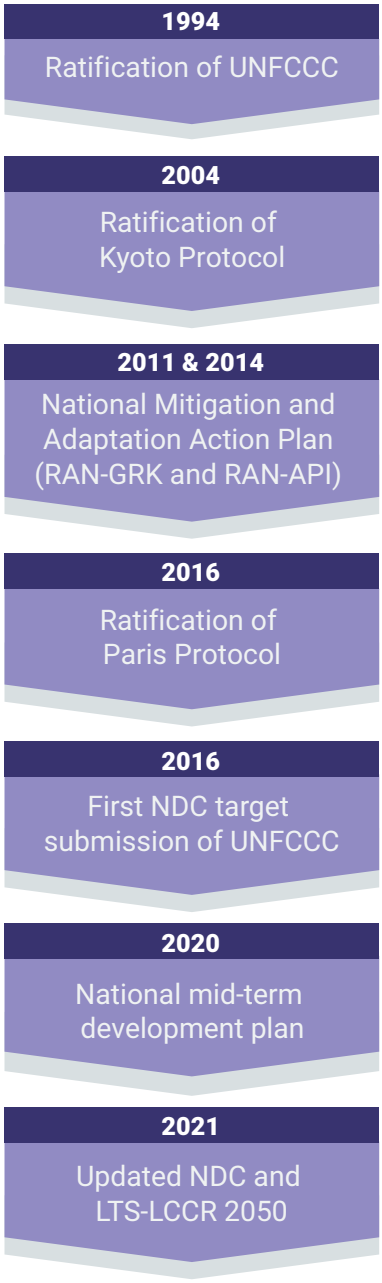
For a city to attract financing for a climate-related infrastructure project, it first needs to lay the groundwork to increase the quality of the project pipeline to create investment-ready projects. An investment-ready project pipeline is important for attracting investment, accelerating project implementation, optimizing resource allocation, and building investor confidence. This is particularly due to investors being more likely to invest in projects that have been well-prepared and evaluated, as they are seen as lower-risk and more likely to succeed. These precursor stages to project financing are discussed below, with corresponding resources linked in the technical assistance section.

1a. Enabling environment development

Development of an aligned municipal legal, policy, regulatory, and environment management can create favorable conditions for climate action planning, project preparation, and financing. Creating an enabling environment for climate project development also involves examining the roles of the private sector, financiers, intermediary bodies, and city administrations. In Indonesia, the enabling factors of setting climate targets and action are mainly driven by the national government. However, local governments may create better enabling environments at the local and regional level to attract private finance for its climate-related infrastructure projects, for instance in Jakarta where the governor issued a regulation on green buildings, to provide incentives for building owners.

Real efforts have already been made by local governments in Indonesia to improve enabling environments, such as in Jakarta and Semarang, by issuing regulations on incentives and the promotion of solar rooftop usage for government buildings. The provincial government of Bali is also taking the lead in electric vehicle adoption by introducing low emission vehicle zones and promoting green building implementation in commercial areas.

Figure 1. Journey of climate targets in Indonesia



1b. Climate strategy alignment between local and national governments

The development of a climate strategy aligned with a city's priorities for meeting specific climate mitigation and resilience goals—which could be aligned with national climate targets—is an important step prior to project preparation (Figure 1).

In Indonesia, climate targets are set by the national government to align with the goals of the Paris Agreement, the Sustainable Development Goals (SDGs) as set out under the 2030 Agenda for Sustainable Development, and a national net zero emissions target. Local governments then develop local climate strategies and action plans that will become the basis for their climate-related project pipeline. These are developed through a bottom-up approach, with projects proposed by the local government and related ministries. Therefore, they play an important role in translating climate strategies into real implementation. Creating the right enabling environment is essential for regional governments to mobilize climate finance, see guidelines from GCoM on climate action playbook.

In addition to the consideration of financing needs, climate strategy development should be based on evidence and an assessment of risks, impacts and GHG emissions (for example, see CDP's Climate Risk and Vulnerability Assessment training guide).

Translating climate strategies into action requires an understanding of how to structure climate-related infrastructure projects, from project identification to project preparation activities such as conducting feasibility studies and transaction processes. Project preparation is essential to ensuring the success of a project. It helps to develop clear objectives and goals, a realistic project plan, identify and manage risks, engage stakeholders, secure funding and resources, and ensure accountability and transparency.

The importance of environmental data disclosure

As a city begins planning, officials should also understand the benefits of disclosing environmental data through CDP-ICLEI Track, which will help the city align its climate plan to internationally recognized standards, providing it with a holistic framework for measuring and managing its climate progress. By disclosing, cities can also access free technical assistance resources and participate in several global environmental projects and initiatives such as the Global Covenant of Mayors for Climate & Energy (GCoM), the UNFCCC's Cities Race to Zero and Cities Race to Resilience Campaign, CDP's Matchmaker Program, and offerings from other partners, such as ICLEI and C40.

1c. Project preparation

The Cities Climate Finance Leadership Alliance (CCFLA) defines project preparation as "the process of defining, studying, refining, and developing an infrastructure project concept to the point that it can raise implementation financing from public or private sources."

Attention to project preparation—or lack thereof—can mean the difference between a project moving forward or stalling in the planning stage. Because project preparation itself requires technical and financial resources—up to 10% of construction costs, according to the World Bank—budgeting for preparation must also be a consideration for cities at an early planning stage. A robust climate strategy and conducive enabling environment can help streamline project preparation.

Within project preparation, there are several distinct phases, as outlined by CCFLA and paraphrased below:

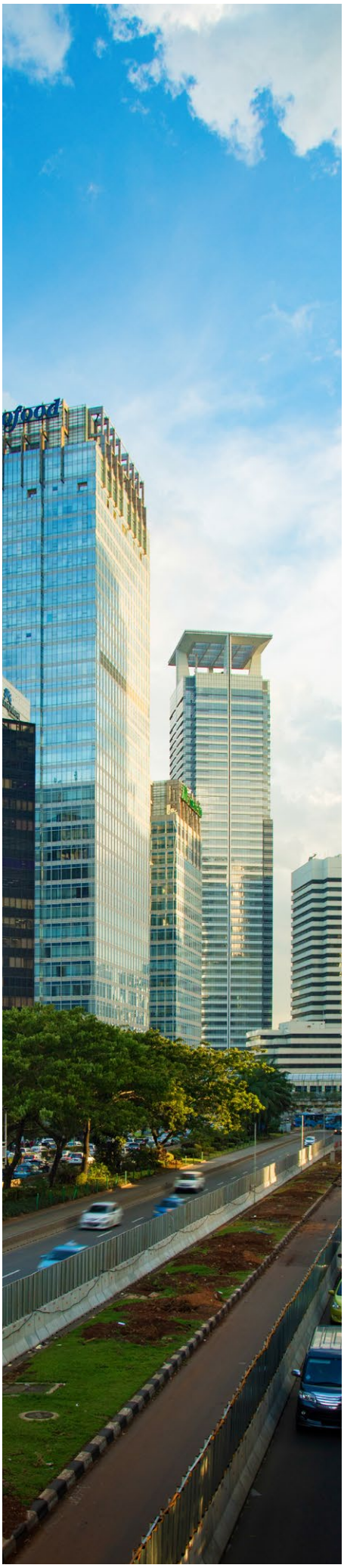
- **Concept / design / scoping**
  Envisioning the project: what type of project, which elements will be included, how it relates to the priorities set by the climate strategy, and what community need(s) it fills.
- **Pre-feasibility**
  Initial technical and cost-benefit analysis to determine whether it is worth proceeding with a more in-depth feasibility study for a project.
- **Feasibility**
  Comprehensive study of a project's implementability from technical/engineering and financial/economic perspectives; required levels of detail may vary by funder or project size.
- **Structuring and transactions**
  Development of project plans, legal steps to secure financing and to procure construction and operation services. This stage includes the commercial and financial close.
- **Post-Implementation**
  Monitoring and evaluation of project to ensure it is meeting its objectives and to propose further improvements if required to the project plans.

CCFLA defines PPFs as:

> **organizations, initiatives, or institutions that support cities in developing bankable, investment-ready projects, typically from a project's concept, design, or scoping stage up to the financial close.**

In addition to the overall scope of project preparation activities, local governments in Indonesia should include the project modalities in any feasibility studies conducted to determine which financing scheme may be implemented and the required government support. Therefore, the planning stage should consider different approaches or methods used to finance and manage infrastructure projects. These modalities are based on the specific needs and characteristics of the project, as well as the funding sources and regulatory environment.

Assistance on project preparation is available through Project Preparation Facilities (PPFs), which CCFLA defines as "organizations, initiatives, or institutions that support cities in developing bankable, investment-ready projects, typically from a project's concept, design, or scoping stage up to the financial close," and which may provide technical and/or financial assistance. The resources section of this guide provides information on PPFs available to Indonesian local governments.



Step 2

Project Finance: Instruments and options

There are different financing schemes and options that involve several instruments that can be accessed by local governments. These instruments would include traditional project finance instruments such as concessional loans and grants, or blended finance instruments on a single project.

A key point to note is that local governments in Indonesia are unable to access direct financing from financial institutions due to requirements set by the national government[7], such as:

- The maximum cumulative amount of financing depends on the fiscal capacity of the local government;
- Local governments may collaborate with its owned enterprises in channeling the funds;
- Local governments may not provide guarantees to loans;
- Local governments may not use their assets as collateral to obtain loans.

Local governments in Indonesia also need to be able to address the issue of 'bankability' in project financing. Bankable infrastructure projects are those that are deemed financially viable and attractive to commercial banks, or other private investors, who are willing to provide financing for them. These projects have a well-structured financial plan, clear revenue streams, and a predictable cash flow. They also have a clear exit strategy for investors, which ensures that they can recoup their investment within a reasonable time frame. However, local governments may play a bigger role in financing its infrastructure projects, especially to ensure affordability of tariffs and to non-bankable projects. For example, the Government of Jakarta is financing adaptation projects through its own budget, and has provided continuous fiscal support to its public transportation projects.

On the other hand, non-bankable infrastructure projects are those that are not considered financially viable by private investors. These projects typically have high risks, uncertainties, or low profitability, which make them unattractive to private investors. They may also lack a clear revenue stream or cash flow projection, or the project may have a longer payback period, making it less attractive to funders and investors.

Non-bankable infrastructure projects may still be considered essential for the public good, such as providing basic services to remote communities, improving social welfare, or addressing environmental concerns. In such cases, governments or international organizations may provide funding or subsidies to make these projects financially feasible. However, the risk of default or non-repayment of loans is generally higher in non-bankable projects, which can make it challenging for lenders to provide financing.

7 Source: Government Regulation 56/2018 on Regional Financing

Below is a summary of the broad categories of financial or funding sources available to local governments in Indonesia:

Finance	Main instruments	Funding source	Examples of finance/funding options	Case studies
 **City budgets / "own-source" revenue**	**City owned budget, "earmarked" national government budget allocation**	City budgets are considered inadequate in Indonesia due to the low fiscal capacity of the country's local governments. To address this issue, the national government is providing budget transfer of specific thematic sectors.	◥ Capex from city owned budget ◥ Infrastructure project budget allocation	Jakarta Solar Rooftop in Government Buildings
 **External financing/ funding organizations**	**Investments and grants, foreign loans**	Investments and grants are the main sources of external financing and funding. ◥ Cities can raise funds by offering bonds (green bonds, resilience bonds, solar energy bonds, and other types of bonds). However, there are strict requirements for local governments that are planning to issue bonds[8]. ◥ Cities can also consider concessional loans, guarantees, funds, grants and special investments, which are other types of investments from multilateral development banks, local development financing institutions, and philanthropic institutions/foundations that may also make grants. Newer forms of funding include crowdsourcing and Corporate Social Responsibility Funds.	◥ Cities can offer green bonds, resilience bonds, solar energy bonds, and other types of bonds. ◥ Other types of investments: concessional loans, guarantees, funds, and special investments. ◥ Grants—either "earmarked" or unconditional—from international, national, or regional government entities. ◥ Other potential grantors: Development banks, financial services companies, and philanthropic institutions/ foundations. ◥ Newer forms of funding include crowdsourcing and Corporate Social Responsibility Funds.	Regional Infrastructure Development Funding
 **Partners**	**Funding, financing, or a combination**	Partnerships may include funding, financing, or a combination of both from one or more private-sector partners. ◥ Public-private partnerships combine public policy aims with private-sector financing and technical support to jointly advance projects and initiatives. ◥ Partnerships can be useful for spreading risk among multiple parties.	◥ Public-private partnerships combine public policy aims with private-sector financing and technical support to jointly advance projects and initiatives. ◥ Availability payment using local government budget. ◥ Partnerships can be useful for spreading risk among multiple parties, such as establishing a special purpose company in the form of joint venture between city owned enterprise and private investor	West Java Waste to Energy Plant

A complete list of financial instruments for cities climate finance can be obtained from CCFLA list of financial instruments, while technical assistance resources on funding and financing options for cities are available in the following section of this guide.

8 Ministry of Finance. https://djpk.kemenkeu.go.id/?epkb_post_type_1=persyaratan-pinjaman-daerah

Despite some limitations and the inability of local governments to access direct financing, there are several options available to fund city-level climate projects:

Step 3

Prospective finance modalities for city climate projects

Cost sharing with National Government

This scheme involves accessing external sources of funding especially from development financial institutions and sharing the loan repayment with the National Government. This enables cities to obtain a low cost and long-term source of funding with the backup/guarantee of the National Government. This scheme has been implemented in Jakarta's Mass Rapid Transit (MRT) project.

The Jakarta MRT project involves a two-step loan from the Ministry of Finance that formed a financing agreement with Japan International Cooperation Agency (JICA), which channeled the loan as a grant to the Government of Jakarta. The loan repayment is divided into 49% of principal and interest to be paid by the state budget, and 51% to be paid from project cash flow at the city level. This scheme has addressed financing challenges especially around the fiscal capacity of the local government by leveraging low cost and long-term financing from the state budget.

Regional Infrastructure Development Fund

This Fund involves PT Sarana Multi Infrastruktur (PT SMI) as the assigned state-owned enterprise to provide loans to local and subnational governments, with a guarantee from the Ministry of Finance.

The loans provided by PT SMI are channeled to various projects that include basic infrastructure needs and climate resilient infrastructure. The aim of this facility is to increase infrastructure spending at regional level using a special purpose company and debt instrument that are tailored to fulfill the investment need at regional level.

Public-Private-Partnership (PPP) Scheme

PPPs are viable for large-scale projects that need risk-sharing between public and private finance. There is support in place to enhance the quality of investment from the government to mobilize climate finance at the local level.

An example of a successful PPP project is the Umbulan Water Supply project in East Java. This project's financing scheme includes a PPF from PT SMI, viability gap fund from the Ministry of Finance and a project guarantee from the Indonesia Infrastructure Guarantee Fund (IIGF).

Local government investment through locally owned enterprises

Establishing a special purpose vehicle (SPV) such as a locally owned enterprise would benefit the local government as controlling shareholder, therefore maintaining direct supervision capabilities and continuous fiscal support to the project. Locally owned enterprises also provide flexibility for innovative financing schemes, through development financial institutions or commercial financing. As a corporation, it also has the option to obtain funding from capital markets.

Step 4

Accessing domestic and international funding

The main principle for accessing funding for local governments in Indonesia according to recent regulation on the alignment between state and local government budgets is that domestic funding may be accessed directly while accessing international funding should be agreed by the Ministry of Finance.

Domestic funding

Local and subnational governments may access domestic funding in the form of loans, bond issuance and grants. New regulation has ruled out the approval of regional parliament to access funding[9]. However, the requirement on accessing loans from domestic sources is also applicable with several additional requirements set out by the Ministry of Finance. The loans can be accessed directly from local banks, however since the regulation also rules out the ability of using state budget and regional government assets to provide collateral to the loans, it creates a barrier for cities to access funding from commercial banks. As for grants, cities may obtain them directly from the domestic funder.

Issuance of municipal bonds has its own issues, such as lack of bankable projects, mismatch in matching investment appetite of the market with the fiscal capacity and lack of bankable underlying projects of the bond. Local government may only issue municipal bonds in Indonesian Rupiah and in the local market, ruling out overseas and foreign currency issuance. More information on issues related to municipal bond issuance can be found in this municipal bond study by CPI[10].

International funding

Accessing international funding in the form of both grants and loans involves additional processes and more stakeholders, including the Ministry of Finance, Ministry of National Development Planning (Bappenas), and particular sectoral ministry, depending on the characteristics of the underlying projects. The Ministry of Finance will perform due diligence on the financing process and working closely with the local government to channel the funds. All international funding grants and loans for the government, including local governments, need to be listed in the green book for the annual list of grants and loans, and the blue book for medium term loans. Local governments need to submit their plans in accessing international grants and loans to Bappenas for monitoring and evaluation.

9 According to Law 1/ 2022 on relationship between state budget and local budget

10 Accelerating renewable energy finance in Indonesia: The potential of municipal green bonds. Climate Policy Initiative. July 2021. https://www.climatepolicyinitiative.org/wp-content/uploads/2021/07/The-potential-of-municipal-green-bonds.pdf

Step 5

Technical assistance resources for city climate finance

Project Preparation Facilities (PPFs) aid local governments by providing assistance during the project preparation phase of the project cycle, with the aim of effectively linking projects with implementation finance. Programs that support cities with non-project specific factors related to financial viability, such as creating a conducive environment, building capacity, and connecting to finance, are crucial in helping cities prepare bankable projects. However, they do not offer the project-level assistance that is typically associated with PPFs.

Technical assistance (TA) can take several forms, including:

- **Self-directed**: online tools, on-demand webinars, and other resources; and
- **Intensive**: with direct assistance from service providers in the form of consultations, assistance developing applications, funding to support project preparation, and other forms of support.

Some TA can be in the form of grants. Grants are state revenues that do not need to be repaid, which can come from domestic or international sources. Some of the criteria for acquiring grants are[11]:

- They do not need to be paid back;
- Outputs from the implementation of grant activities, whether in the form of benefits, ownership of goods, services provided, research results, copyrights, and other benefits are only received by and solely for the benefit of, the recipient of the grant;
- To support the duties and functions of ministries/institutions that receive grants.

Grants can be given in various forms, including:

Cash: grants in the form of money received by the Government and their use is fully determined by the Government through the APBN (State Revenue and Expenditure Budget) mechanism.

Money to finance activities: grants are received by the Government, are allocated based on the Grant Agreement, and are implemented by the ministry/ institution/sub-national government receiving the grant.

Goods / Services:

- **Goods**: grants are received by the Government in the form of goods to support the activities of the ministry/institution/local government/state-owned enterprises (SoEs).
- **Services**: grants are received by the Government in the form of certain services to support the activities of the ministry/institution/local government/SOEs.

Securities: grants are provided in the form of ownership shares in a company.

The types of grant can consist of:

- **Planned grants**, which are implemented through a planning mechanism.
- **Direct grants**, which are implemented without a planning mechanism, for example:
  - Grants for handling natural disasters such as earthquakes, tsunamis, volcanoes, floods, droughts and hurricanes;
  - Grants in the framework of technical cooperation between the ministries and donors such as workshops, training and seminars;
  - Competitive Grants, such as research.

Meanwhile the source of the grant can come from:

- **Domestic:** Domestic Financial Institutions, Non-Domestic Financial Institutions, Regional Government, Foreign Companies domiciled and carrying out activities in the Republic of Indonesia, Other Institutions and Individuals.
- **International:** Foreign Countries, Institutions under the United Nations, Multilateral Institutions, Foreign Financial Institutions, Foreign Non-Financial Institutions, National Financial Institutions domiciled and carrying out business activities outside the Republic of Indonesia.

11 Summarized from the Ministry of Planning (Bappenas) foreign loan/ grant guideline. (Guideline No.3/ 2020)

List of project preparation facilities for climate resilient infrastructure in Indonesia

The following information is current as of the date of publication. Although numerous intensive technical assistance (TA) resources are available, this section focuses on project preparation grants for projects that are already being implemented.

- **International Environment Fund**: Environmental funding mechanism for channelling and distributing environmental and climate funds from different sources to support Indonesia's environmental vision.
- **Cities Development Initiative Asia (CDIA) trust fund**: A demand driven initiative for secondary cities that provides TA to address the city´s needs and prepare bankable infrastructure investments. They can connect with financiers through Project Preparation Studies (PPS) and capacity building.
- **PT Sarana Multi Infrastruktur PPP TA**: A facility set up by the Indonesian Ministry of Finance for local governments to design and provide transaction advice for early-stage project scoping.
- **FELICITY**: Conducts part of the feasibility studies documentation (financial and economic analysis, Environmental and Social Impact Assessment and procurement) at the city and provincial levels.
- **C40 CFF**: Supports cities in the preparation of finance-ready infrastructure projects by providing TA that includes capacity building, project structuring, and development of a business case.
- **WRI Electric Vehicle**: Conducts technical analysis, provides capacity building related to the use of electric vehicles in Bali and supports in the development of Bali's Action Plan.
- **Green Building Performance Network (GBPN)**: Provides technical analysis and capacity building to promote green building projects.
- **City Climate Finance Gap Fund**: Supports cities with early-stage technical assistance for low carbon and climate resilient projects and urbanization plans.
- **ASEAN Catalytic Green Finance Facility**: Supports governments in Southeast Asia to prepare and finance infrastructure projects that promote environmental sustainability and contribute to climate change goals.
- **Green Climate Fund (GCF) Project Preparation Facility**: Supports climate infrastructure projects in both mitigation and adaptation that includes locals governments. Accessing GCF funding would involve the National Designated Authority (NDA), and the NDA in Indonesia is the Ministry of Finance.

Project preparation resources

Below is the list of self-directed TA resources, where cities can seek and acquire support, guidance, and resources related to project preparation activities:

- **Project Preparation Glossary**: Defines and explains commonly used terms related to project preparation. Developed by the Cities Climate Finance Leadership Alliance (CCFLA).
- **Project Preparation Action Group - Resources**: This CCFLA group works to identify, coordinate, and accelerate existing Preparation Facilities, and has produced numerous publications city officials may find relevant.

Intensive TA resources:

- **Matchmaker Program**: CDP's initiative to leverage municipal and regional environmental disclosure data to highlight finance-ready projects. CDP provides complimentary consultation assistance to help local and regional governments build knowledge and capacity to advance their projects to the financing stage—and help them make connections with the investment community.

Financing strategy resources

Below is the list of self-directed TA resources for regional government in obtaining references to mobilize climate finance:

Cities Climate Finance Leadership Alliance:

The 2021 State of Cities Climate Finance Report examines the current state of urban climate investment, the barriers to reaching the needed investment levels, and the steps to overcoming these challenges. The report also contributes to the Leadership for Urban Climate Investment framework initiative hosted by the Alliance, which aims to create a strong global architecture for subnational climate finance and tracking.

Project Preparation Glossary: Provides definitions for terms commonly used by Project Preparation Facilities or to describe project preparation activities.

Project Preparation Resource Directory: The Project Preparation Resource Directory helps subnational governments and stakeholders identify project preparation facilities that can support them in developing green and resilient infrastructure, including implementing more efficient heating and cooling systems, building renewable energy, setting up sustainable transit, or climate-proofing resilient infrastructure.

Fundamental concepts in Urban Climate Finance:

- What is Project Preparation?
- What is Bankability?
- What is a Project Preparation Facility?

The Landscape of Project Preparation: A Gap Analysis: A discussion paper providing a mapping of the PPF landscape and identifies gaps in the project preparation offering to cities for sustainable and resilient infrastructure, using information gathered for the Green City Finance Directory, a web-based resource by the CCFLA.

Leveraging National Development Banks to Enhance Financing for Climate-Smart Urban Infrastructure: Provides an overview of the challenges and opportunities cities and NDBs face through consultations with cities and NDBs globally.

Climate Finance Decision Making Tree: This comprehensive guide from ICLEI - Local Governments for Sustainability is designed to help local and regional governments consider different financing tools described within the guide.

Other Guidelines:

Financing menus: CDP has created these flowcharts to help cities explore their options for different types of infrastructure projects, including financing for Climate/Emergency Resilience Hubs; carbon-neutral mobility options; affordable net-zero housing and workplaces; municipal leadership on clean energy and efficiency; regenerative and resilient community landscapes; and flood-adapted, safe, and livable cities. These menus also contain examples of cities that have implemented relevant projects. Brief descriptions are below, and the full set of menus is available as part of CDP's Sustainable Infrastructure Resources online toolkit.

How cities can encourage private sector adaptation finance. Private investment is needed to meet the scale of cities' adaptation challenges. Currently, private finance overwhelmingly supports mitigation policies, and the relatively little adaptation funding available has been provided by the public sector. This article explains how, in the Global South particularly, cities can boost private sector involvement in making their communities more climate-resilient.

Debunking 10 myths about municipal creditworthiness. Joshua Gallo led the City Creditworthiness Initiative at the World Bank, providing technical assistance to cities. He dispels common myths and misconceptions about creditworthiness, and urges cities without a credit rating to begin working toward one today.

How to finance urban infrastructure projects: An explainer by C40 CFF for cities on financing options, how these can be accessed and how to determine the most appropriate ways of funding infrastructure.

Financing webinars: CDP also has a series of financing webinars covering topics including financing fundamentals, accessing capital for clean energy and energy efficiency projects, municipal bonds, including a solar-specific webinar), shared community assets such as public transportation and EV charging infrastructure, urban resilience, and water infrastructure financing.

Conclusion

This guide provides a practical overview of the various sources of climate finance available to not just cities but also regencies and provinces in Indonesia, as well as the steps that can be taken to access these resources. The guide focuses on project preparation facilities, with additional information on different financing options to access domestic and international funding. With growing climate risks and impacts in Indonesian cities, such as flooding, land degradation and rising sea level, there is an urgent need for local and subnational governments to address the challenges and opportunities presented by climate change. By leveraging climate finance, cities can implement transformative projects and programs that reduce greenhouse gas emissions, build resilience to climate change impacts, and improve the quality of life for their citizens.

This guide highlights the importance of project preparation and risk management in accessing climate finance, as well as the need for strong partnerships and collaboration between cities, financial institutions, and other stakeholders. The guide also emphasizes the need for transparency and accountability in climate finance, to ensure that resources are used effectively and efficiently, and that the benefits of climate action are shared equitably. While it is not designed to cover the full scope of work needed to successfully secure funding and financing, this guide should enable local and subnational governments in Indonesia to take the initial steps required towards advancing their climate-related projects and infrastructure.

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About CDP

CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than 740 financial institutions with over $130 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impact, and to reduce greenhouse gas emissions, safeguard water resources and protect forests.

Nearly 20,000 organizations around the world disclosed data through CDP in 2022, including more than 18,700 companies worth half of global market capitalization, and over 1,100 cities, states and regions. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy.

CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative.

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