

Grant Agreement

The

**Australian Agency for International Development (AusAID)
Australian Embassy
Jl. H.R. Rasuna Said Kav. C15-16
Jakarta 12940
Indonesia**

- hereinafter referred to as “the Grantor” -

and the

**Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH
Dag-Hammarskjöld-Weg 1-5
65760 Eschborn
Federal Republic of Germany**

- hereinafter referred to as the “GTZ” -

herewith enter into the following **Grant Agreement** for the Project

**Vulnerability and Climate Change Adaptation Assessment and Supportive
Policies at National and Sub-national Levels**

Country: **Indonesia**

Article 1 Amount and Purpose of the Grant

- 1.1 The GTZ has been commissioned by the German Ministry for Economic Cooperation and Development (German abbreviation: BMZ) to implement the Project “- **PAKLIM – Policy Advice for Environment and Climate Change**”. The Grantor wishes to contribute financially to this Project (which is described in Article 2). This Contribution is in accordance with the Memorandum of Understanding signed by the Grantor and the German Ministry for Economic Cooperation and Development on 9 February 2007.
- 1.2 This Agreement will be effective upon the signing and will expire on **30 April 2012**.
- 1.3 The Grantor shall make available to the GTZ a grant of up to **AUD1,250,000**. This grant is for the period from the signing of this Agreement to **30 June 2011**.
- 1.4 The GTZ shall use the grant exclusively for those expenditures within the Project described in Article 2 as attributed to the grant according to the Schedule of Estimated Expenditures (Annex 1) which sets out the details of the Project expenditures.
- 1.5 The GTZ will deduct from the grant its standardized and audited rates for the GTZ indirect administrative costs and the GTZ statutory reserve, as in its operations for the BMZ.
- 1.6 The GTZ shall use the grant only for necessary and reasonable expenditures according to good commercial practice.
- 1.7 The GTZ shall be entitled to reallocate funds among budget lines as required.

Article 2 The Project

- 2.1 The aim of the Project “**Vulnerability and Climate Change Adaptation Assessment and Supportive Policies at National and Sub-national Levels**” promoted by the grant is to further develop and replicate the nationally approved vulnerability assessment methodology, to develop adaptation strategies on local levels and to secure implementation by adequate budgeting and financing, including the development of innovative financing and policy instruments.
- 2.2 In order to achieve the aim, the achievement of the following indicators is planned for the Project:

Phase 1 Indicators:

- Climate change adaptation and vulnerability database is available and used by local governments and stakeholders
- Vulnerability assessment report is available and recommendations are agreed upon by local governments and city administrations

On completion of this Phase, the achievement of the following indicators is planned:

Phase 2 Indicators:

- Policy recommendations related to the inclusion of vulnerability assessment issues into local level RPJM (Rencana Pembangunan Jangka Menengah/ Medium Term Development Plans) and annual strategic plans are available and endorsed by local governments
- A workable financial mechanism to provide funding for local level adaptation strategies is available to local governments

- 2.3 Further details are laid down in the Project Proposal submitted on 5th March 2010, which is attached hereto (Annex 2).

Article 3 Disbursement Procedure

- 3.1 The Grantor shall disburse the grant upon receipt of notification of BMZ approval in accordance with Article 9.2 and a written invoice for disbursement stating the processing no.: KOFI for PN 2007.2139. The grant shall be disbursed in the following instalments:

Year (indicative month/year)	Amount (AUD)
Year 1 (05/2010)	930,000
Year 2 (04/2011)	320,000
TOTAL	1,250,000

- 3.2 The disbursement is to be made in favour of the **GTZ GmbH, in the EURO Bank account No. 504 089 14 with the Deutsche Bundesbank, Frankfurt am Main, Taunusanlage 5, 60329 Frankfurt/Main, Germany; IBAN DE 18 5040 0000 0050 4089 14, SWIFT markdeff; Reference: KOFI for PN: 2007.2139.9**
- 3.3 The GTZ shall submit financial statements to the Grantor proving the use of the payment in accordance to the terms the GTZ reports to the BMZ. The expenditures shall be categorised chronologically and broken down according to expenditure categories or measures pursuant to the Schedule of Estimated Expenditures (Annex 1).
- 3.4 The submission of reports is as follow:
- The 1st financial statement for the period until **30 April 2011** and a written progress report using the attached form (Annex 3) to be submitted not later than **30 April 2011**.
 - The 2nd progress report using the attached form (Annex 3) to be submitted not later than **31 October 2011**.
 - The final project report with final financial statement to be submitted not later than **30 April 2012**. For this purpose, the expenditures shall be categorised chronologically and broken down according to expenditure categories or measures pursuant to the Schedule of Estimated Expenditures (Annex 1). Any

funds remaining from the grant, including any interest accrued, shall be returned to the Grantor without undue delay with the financial statement.

3.5 Any financial statement has to be accompanied by an appropriate declaration that the expenditures to be financed from the grant have not been financed from other subsidies.

3.6 The GTZ shall

- a) secure the full financing of the Project/Program and, upon request, furnish the Grantor with evidence proving that all expenditures not financed from the present grant are covered;
- b) keep for seven years after submission of the final financial statement books, records and the originals of the supporting documents, clearly identifying all expenditures of the services and supplies for the Project and those services and supplies financed from the grant;
- c) document the transfer of ownership of those items which are destined for third parties according to the Project/Programme Proposal and shall support its financial statements with copies of such documents;
- d) enable the representatives of the Grantor at any reasonable time to consult and take copies of such books and any other records and documents relevant for the implementation of the Project/Programme at the GTZ's premises and to visit all installations related thereto;
- e) supply any information on the Project and its further progress which the Grantor may reasonably request; and
- f) inform the Grantor of any circumstances seriously affecting or jeopardizing the accomplishment of the purpose of this Agreement or the implementation of the Project.

3.7 Each Payment received will be transferred into EURO. The financial reporting will include all revenues according to the EUR-value recorded in the GTZ accounts.

Article 4 Purchasing of Goods and Services

4.1 Procurement of supplies and services shall be done according to the GTZ's internal rules and regulations for procurement and contracts, including international competitive bidding when relevant. Written documentation shall be kept of all decisions regarding invitations to tender and placing of orders, and shall be kept with the accounting vouchers.

4.2 The GTZ shall ensure, upon entering into contracts for supplies and services to be financed from the grant, that

- a) the terms of payment of these contracts conform to customary trade practices;
- b) the supplies to be financed are insured against transportation risks to an adequate and customary extent in order to provide for the goods to be replaced or restored to their original state, imported goods being insured in freely-convertible currencies, as far as possible; and

- c) reimbursement, insurance, security, warranty or similar payments which may be claimed on the basis of those contracts, are to be transferred to the account indicated in Article 3.2 and reemployed for the Project. The GTZ shall notify the Grantor of the amount of such payments within the scope of the project reports.

Article 5 Suspension of Disbursements and Repayment

- 5.1 The Grantor shall be entitled to either suspend or terminate disbursements if
 - a) The GTZ is not able to furnish evidence proving the use of the grant for the purpose stipulated in this Agreement, or
 - b) The GTZ has violated any other main obligation under this Agreement.
- 5.2 The Grantor shall be entitled to demand immediate repayment of those parts of the grant which have been affected by any of the circumstances referred to in Article 5.1 unless those circumstances have been eliminated within a period to be stipulated by the Grantor, which shall, however, be not less than 30 days.

Article 6 Implementation of the Project

- 6.1 The description of the indicators in Article 2.2 and the Project Proposal (Annex 2) constitute the binding framework for the implementation of the Project.
- 6.2 Major changes to the indicators described in Article 2.2 or the Project Proposal, or major changes to the estimated expenditures, must be reported immediately to the Grantor for approval and shall not be binding until this Agreement is amended in accordance with Article 9.5.
- 6.3 The GTZ shall submit progress reports in the English language according to the terms of the GTZ reports to the BMZ and as required by the Grantor as set out in Article 3.4.
- 6.4 The implementation of the Project will begin in May 2010 and its current commission will be completed in February 2012. The GTZ will prepare a final report in March 2012, describing implementation results of the Project in the light of the aims set and submit it to the Grantor with the final financial statement at the latest in April 2012.

Article 7 Termination for Convenience

- 7.1 Either party may terminate this agreement by giving to the other a Notice of Intention to terminate in writing stating the reasons for termination. In the event of termination, the GTZ must provide a statement of expenditures of the grant, signed by its country director in Indonesia, and return any unspent funds to the Grantor.
- 7.2 No later than twenty-eight (28) days after receipt of a Notice of Intention to Terminate, the parties shall meet to fully co-operate in a joint determination of the following:
 - a) the date of termination;
 - b) the appropriate method and manner for effecting the necessary winding-up of the Project;

- c) a reconciliation of the funds supplied by the Grantor and an identification of any interest earned thereon as at the date of termination;
 - d) the extent of the Grantor's financial responsibilities, within the amount of the Grant at the date of termination; including the cost of those financial commitments and obligations of GTZ irrevocably committed by GTZ prior to the date of termination, unless the termination is due to a default on the part of GTZ;
 - e) any issues arising from the termination of concern to the Grantor with regard to its relationship with a recipient government; and
 - f) other matters which arise as a consequence of the termination.
- 7.3 In the event that a Notice of Intention to Terminate is given by either party the GTZ must:
- a) forthwith do everything possible to prevent or mitigate all losses, costs and expenses arising in consequence of the termination of this Agreement and shall terminate its role in the Project in a prompt and orderly manner; and
 - b) if so determined as provided above, refund any uncommitted part of any tranche or funds already paid by the Grantor, together with any uncommitted interest, within 30 days of the date of the joint determination.
- 7.4 In the event that a Notice of Intention to Terminate is given by either party the Grantor shall:
- a) if so determined as provided above, provide such funds as may be agreed as necessary to meet existing financial commitments and obligations; and
 - b) not be liable to pay compensation in an amount which, in addition to any amounts paid or due or becoming due to the GTZ under this Agreement, together would exceed the amounts of the Grant.

Article 8 Counter Terrorism Clause

- 8.1 Consistent with UN Security Council Resolutions relating to terrorism, including UNSC Resolution 1373 (2001) and 1267 (1999) and related resolutions, both the Grantor and the GTZ are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. It is the policy of the Grantor to seek to ensure that none of its funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism. In accordance with this policy, the GTZ undertakes to use all reasonable efforts to ensure that none of the Grantor funds provided under this grant agreement are used to provide support to individuals or entities associated with terrorism. If, during the course of this Agreement, the GTZ discovers a link with any organisation or individual associated with terrorism it must inform the Grantor immediately.

Article 9 Final Provisions

- 9.1 In the event of a provision of this Agreement being invalid or incomplete, this shall not affect the validity of the remaining provisions. Any gap in consequence thereof shall be filled by a provision consistent with the purpose of this Agreement.

- 9.2 This Agreement is subject to the approval of the Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ). The GTZ will inform the Grantor of the decision of BMZ. As soon as GTZ has notified the Grantor of BMZ approval, this Agreement shall enter into force.
- 9.3 The GTZ shall not assign or transfer, pledge or mortgage any rights under this Agreement.
- 9.4 Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, shall be settled by negotiation between the parties or if incapable of such negotiated agreement by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force.
- 9.5 Amendments of and changes to this Agreement as well as any statements and notices which shall be made under this Agreement shall only be valid in writing.
- 9.6 The GTZ will acknowledge the Grantor's funding assistance where appropriate and advise the Grantor of matters relating to any publicity and media relations.
- 9.7 The GTZ indemnifies and agrees to keep indemnified the Grantor, its officers, employees and agents from and against any loss, damages or costs arising from any claim, demand, action, suit or proceeding that may arise out of any negligence by the GTZ or its agents in connection with the performance of the purposes for which the grant is made or otherwise.
- 9.8 The GTZ must not represent itself and must ensure that its volunteers, employees, agents and sub-contractors participating in the Activity do not represent themselves as being employees, partners or agents of the Grantor.
- 9.9 The GTZ shall grant to the Grantor a worldwide, irrevocable, royalty-free licence to use the material created during the course of the Project.
- 9.10 The GTZ must not assign its interest in this Agreement without first obtaining the consent in writing of the Grantor.
- 9.11 No delay, neglect or forbearance by either party in enforcing against the other any term or condition of this Agreement shall be deemed to be a waiver or in any way prejudice any right of that party.

Article 10 Notices

- 10.1 For the purpose of serving notices to either Party of this Agreement, a notice must be in writing and shall be treated as having been duly given and received:
- a) when delivered (if left at that Party's address);
 - b) on the third Business Day after posting (if sent by pre-paid mail);
 - c) or on the Business Day of transmission (if given by facsimile and sent to the facsimile receiver number of that Party and no intimation having been received that the notice had not been received, whether that intimation comes from that Party or from the operation of facsimile machinery or otherwise).

- 10.2 For the purposes of this Agreement, the address of a Party is the address set out below or another address of which that Party may give notice in writing to the other Party:

The Grantor:

To: Program Manager, Climate Change

Postal Address: Australian Agency for International Development
Australian Embassy Jakarta
Jl. HR Rasuna Said Kav C15 – 16. Jakarta 12940

Facsimile: +62 21 392 7274

The GTZ:

To: Dieter Brulez, Project Manager PAKLIM – Policy Advice
for Environment and Climate Change

Postal Address: GTZ - Policy Advice for Environment and Climate Change
Program - Advis Kebijakan untuk Lingkungan Hidup dan
Perubahan Iklim - PAKLIM
c/- Indonesian Ministry of Environment, Building B, 5th
Floor. Jl. DI Panjaitan Kav 42. Jakarta 13410

Facsimile: +62 21 8516110

Article 11 Child Protection

- 11.1 The GTZ acknowledges the Grantor's Child Protection Policy (<http://www.aisaid.gov.au/publications/pubs.cfm?Type=PubPolicyDocuments>) and will use its best endeavours to act in accordance with the principles of the Grantor's Child Protection Policy in addition to abiding by other relevant international declarations, conventions and agreements.

Article 12 Fraudulent Activity

- 12.1 The GTZ agrees that:

- a) The GTZ and its employees, agents, representatives or its subcontractors must not engage in any Fraudulent Activity. The GTZ is responsible for preventing and detecting Fraud.
- b) The GTZ must report in writing within 5 (five) working days to the Grantor any detected, suspected, or attempted Fraudulent Activity involving the Activity. The Grantor may direct the GTZ to investigate the alleged Fraud and the GTZ must undertake an investigation at GTZ's cost and in accordance with any directions or standards required by the Grantor.
- c) Following the conclusion of any investigation which identifies acts of a Fraudulent nature, the GTZ shall

- (i) make every effort to recover any Grantor Funds, the subject of Fraudulent Activity;
 - (ii) refer the matter to the relevant police or other authorities responsible for prosecution of Fraudulent Activity; and
 - (iii) be liable for the repayment of any Fund amounts misappropriated by the GTZ, its agents, representatives or subcontractors.
- d) The GTZ warrants that the GTZ shall not make or cause to be made, nor shall the GTZ receive or seek to receive, any offer, gift or payment, consideration or benefit of any kind, which would or could be construed as an illegal or corrupt practice, either directly or indirectly to any party, as an inducement or reward in relation to the execution of this Agreement. In addition, the GTZ shall not bribe public officials and shall ensure that its delivery organisations comply with this provision. Any breach of this clause shall be grounds for immediate termination of this Agreement by notice from the Grantor.

This Agreement shall be governed by the domestic law of Commonwealth of Australia.

Jakarta, May 2010

Jakarta, May 2010

Jakarta, May 2010

Sam Zappia
Chief Of Operations
AusAID Indonesia

Ute Klamert
Head of Regional Department
Asia/ Pacific Latin America
German Technical Cooperation

Sabine Markert
Country Director
Indonesia and Timor Leste
German Technical Cooperation

Annex 1: Schedule of Estimated Expenditures

The estimated price of the offer was determined in line with the Standard Official Contracting Rules for Prices of Public Contracts (VOPR) 30/53 and the Guiding Principles for Pricing on the Basis of Prime Costs (LSP). The final price will be determined on the basis of the actual costs incurred.

If the relevant tax authority is of the opinion that the GTZ is liable to pay VAT, although the GTZ believes that the input was not taxable, or if the rate of VAT calculated was too low, the GTZ shall pay the VAT from within the funds (up to A\$125,000) provided by the Grantor.

Estimated Cost distribution as per agreement value of AUD 1,250,000. GTZ contribution will vary according to exchange rate AUD/EUR

Budget Line	Year 2009/10 (AUD)	Year 2010/11 (AUD)	Total (AUD)		
	AusAID Contribution	AusAID Contribution	GTZ Contribution	AusAID Contribution	AusAID + GTZ
Personnel GTZ (local)	-	-	202,500	-	202,500
Consultants	303,550	303,550	-	607,100	607,100
Equipment (workshops, meeting, FGD, training)	154,000	114,000	-	268,000	268,000
Financing					
Other costs and services (data collection, travel)	109,000	109,000	-	218,000	218,000
subtotal	566,550	526,550	202,500	1,093,100	1,295,600
Management costs	78,450	78,450	135,448	156,900	292,348
Total costs	645,000	605,000	337,948	1,250,000	1,587,948

N.B.: Management costs may vary slightly depending on actual expenditures, see Agreement Article 1.5.

Annex 2: Project Proposal**Vulnerability and Climate Change Adaptation Assessment and supportive policies at National and sub-national Levels**

Proponent	Indonesian State Ministry of Environment (KLH) and GTZ Submitted to AusAID Budget: Aus\$1,250,000 (co-financing arrangement with GTZ)
Background	Climate change impacts: Indonesia is strongly exposed to climate change. With over 17.000 islands, the rising sea level, changes in precipitation and extreme climate events are a major issue. Climate projections indicate that the mean wet-season rainfall will increase across most of Indonesia, especially in regions located south of the equator such as Java and Bali. At the same time, the length of the dry season is expected to increase. Moreover, an increase in the intensity and frequency of extreme events like El Nino, which have caused major droughts and fires in Indonesia, is already noticeable in the Asian region. The risk of floods during the rainy season and drought in the dry season is therefore likely to increase. This will particularly impact water resources, agriculture and forestry, fishery as well as health and infrastructure. Land subsidence, sea level rise, floods, droughts, landslides and forest fires already cause considerable damage in Indonesia. Adaptive measures can mitigate damage and avoid aggravating impacts of natural disasters. Therefore, the necessity for adaptation measures at national and local levels is rapidly emerging as central issue in the debate around policy responses to climate change. In order to prioritize, design and implement interventions to adapt to climate change, it is essential to adopt a coherent set of approach, framework and methodologies for examining vulnerability and adaptive capacity. Vulnerability assessments: Many vulnerability studies, while being effective in raising awareness to the possible effect of climate change on a general level, have limited effectiveness in providing local scale guidance on adaptation. Methods and tools for vulnerability studies at the provincial/local level are different from the ones used on national and global scales. To effectively formulate adaptation strategies at the province level, it is proposed to apply "meso level-multi sectoral approach" (MsLMSA) which means assessing vulnerability at the meso-level but considering the multi sectoral impacts of climate change e.g. water, agriculture and coastal / marine sectors. An appropriate approach has been developed and applied on Lombok Island and is the first MsLMSA based vulnerability study in Indonesia. The study result is very promising and it is necessary to be replicated in other region in Indonesia. Need for conducive adaptation policies: Moreover, a shifting political system from centralized to decentralized structures urgently

requires and challenges an increasing role of local (kabupaten/kota) governments to initiate local level activities in climate change adaptation. Therefore, the vulnerability assessment on climate change and integration of its result into local development planning also becomes essential. Thus, the MsLMSA based vulnerability study in Lombok Island was developed and conducted on provincial level ("meso level-multi sectoral approach" or McLMSA). Mainstreaming of V-A into development policies can follow two approaches, the first one directly influencing the preparation of the local mid-term development plan (RPJM) and integration of the annual sectoral plans. Given that the preparation of the RPJM depends on the election cycle of the local governments, the project will prepare both the input for the *forthcoming* RPJMs and the annual sectoral plans as *immediate* contribution.

Furthermore, the new Indonesian environmental law has just been approved by the parliament and signed by the president (September/October 2009), which outlines the framework for climate change mitigation and adaptation issues, however the technical and operational guidelines still have to be developed. This project will develop the strategy and action and implementing it in the field, which can be taken as a model for technical and operational guideline development.

First experience with V-A and integration into policies: Lombok Island was selected as a first case study area because it represents small islands which are expected to experience harmful impacts from climate change. Lombok Island is part of Nusa Tenggara Barat Province, which had already prepared a Provincial Action Plan for Mitigation and Adaptation to Climate Change. This showed serious commitment of its provincial government in preparing its society to adapt to the negative impacts of climate change. Both, political commitment and high vulnerability represent necessary starting points for any action for adaptation. Referring to the results of the Lombok's assessment, there is a need to put one additional aspect, i.e. *economic valuation* of climate change impacts to priority sectors and corresponding adaptation measures in line with further development. This is because policy makers and planners have to be informed about the costs and benefits of adaptation actions and impacts on budgets as well as resulting needs for national budget support.

Localities for V-A. In order to understand more about the level of vulnerability of Indonesia, there is a need to replicate the Lombok Island study, i.e. to conduct (1) a Vulnerability study based on "meso level-multi sectoral approach" (MsLMSA) in South Sumatera province and (2) a Vulnerability study based on "micro level-multi sectoral approach" (McLMSA) in Tarakan city, East Kalimantan province and 1-2 Javanese cities, i.e., Pekalongan (300.000 inhabitants, Coastal city) and Solo (500.000 inhabitants, situated inland) These locations were chosen because it is considered they reasonably represent Sumatera, Kalimantan and Java both on basis of the site representativeness and are favorable in terms of the willingness, initiative and commitment of their governments on environmental issues and in particular regarding climate change.

Box: Localities for Vulnerability assessment, adaptation strategies and mainstreaming into development planning

South Sumatra is a province of Indonesia which has borders to the provinces of Lampung to the south, Bengkulu to the west, and Jambi to the north. The capital of South Sumatra province is Palembang. The area comprises 8,701,742 ha with a population of 7,019,964 as of 2007 (BPS, South Sumatra province, 2009). This province represents areas, which would experience adverse impacts from climate change e.g. wetland area, river area, and agriculture based economy, etc. Anticipated threats include among others water supply shortages in urban centers, aggravated floods, impacts on agricultural production.

Tarakan is a city in East Kalimantan province of Indonesia, located on the Tarakan Island, east of the coast of Borneo, which comprises 250.80 km² with a population of 169,951 as of 2006., Tarakan City represents coastal zone regions which would experience adverse impacts from climate change e.g. inundations of coastal areas, small island area, and infrastructure, etc. and progressing inundations through both sea level rise and land subsidence in Tarakan city.

Java Island is Indonesia's most populated island and biggest contributor to GDP, however highly dependent on agriculture and hence significantly vulnerable to negative impacts of climate change. Furthermore, urban centers are highly susceptible to natural disasters including earthquakes, floods, landslides, drought, sea-level rises and tropical storms. Approaches to urban and spatial planning need to be improved and adequately address these aggravating impacts. The integration of V-A results and adaptation strategies into the system of mid-term and annual development planning as well as institutional strengthening is crucial to increase the resilience of cities. As a side effect disaster preparedness in a more general sense is built up

These three localities will constitute the initial choice of V-A studies and adaptation strategy development. Concurrently, the technical cooperation program Policy Advise for Environment and Climate Change (PAKLIM-GTZ) will select and work with further partner cities. It is expected that by December 2009 six partner cities will be selected on Java Island in order to develop integrated climate change action plans to address both mitigation and adaptation issues in urban areas. The present project will be co-financed between AusAID and GTZ, in line with the general MoU (2008) among the two organizations.

Objectives

The global objective of the project is to further develop and replicate the nationally approved V-A methodology, to develop adaptation strategies on local levels and to secure implementation by adequate budgeting and financing, including the development of innovative financing and policy instruments.

To achieve this global objective the following aims shall be achieved:

- To enhance awareness on climate change impact and its management for regional/local government and stakeholders.
- To further develop, replicate and apply methods and tools, which have been applied in Lombok island (NTB Province) to South Sumatra province, Tarakan City and 1-2 urban areas on Java island in order to assess climate change vulnerability and design adaptation strategies as well as to integrate its result into regional/local development planning.

- To mainstream adaptation to climate change into regional/local development planning.
- To build capacity of stakeholders related to vulnerability and adaptation issues on the local level.
- To streamline aspects of climate change adaptation and disaster preparedness
- To support and provide input to national level policy making and development planning, especially with a view to support local level adaptation strategies and planning.
- To develop the capacity of local government in fiscal and financial areas and increase their capability in accessing national and international sources of fund. The financial mechanism should be developed in the context of the Indonesia Climate Change Trust Fund (ICCTF) investment window on adaptation and resilience, thereby providing the mechanism to the ICCTF, which local governments can use to access funds.

Indicators

Indicators: In order to achieve the objective of the project, the achievement of the following indicators is planned for the project:

Phase 1 Indicators:

1. Climate change adaptation and vulnerability database is available and used by local governments and stakeholders
2. V-A assessment report is available and recommendations are agreed upon by local governments and city administrations

On completion of this Phase, the achievement of the following indicators is planned:

Phase 2 Indicators:

1. Policy recommendations related to the inclusion of V-A issues into local level RPJM and annual strategic plans are available and endorsed by local governments
2. A workable financial mechanism to provide funding for local level adaptation strategies is available

Strategies for Achieving Objectives

The approach and framework/method, which will be carried out in South Sumatra, Tarakan City and urban areas on Java Island are as follows:

- The five approaches to Climate Change Impact, Adaptation and Vulnerability (CCIAV) assessment that have been applied in Lombok Island will be further developed, adapted and implemented.
- To effectively formulate an adaptation strategy at the South Sumatra (Province level), it is proposed to apply **meso** level-multi sectoral approach. Moreover, at the Tarakan and Java urban areas (City level), it is proposed to apply **micro** level-multi sectoral approach.

- Involvement of all relevant stakeholders is essential in order to enhance awareness and the ownership of the output of this activities as well as the sustainability of the outcome.
- Given low levels of awareness and capacities on local levels, capacity development of stakeholders (local government staff) is essential and will take place by conducting training on local level. A capacity building needs assessment precedes these activities and influences the design of the training concept.
- Integrate aspects of disaster preparedness in order to cope with both the unforeseeable and predicted risk where remedy are not or only at extremely expenses available. Develop evacuation plans and reaction measures in case of the above described disasters
- The framework for adaptation policies are currently prepared in the context of the new national mid-term development plan (RPJM 2010-2014), which contains climate change issues as priorities and a regional focus (Sumatra, Java, Kalimantan, NT, Papua, Sulawesi). This will be used as entry point for policy development on local levels.
- For the development of the financial mechanism for adaptation funding on local levels, the Indonesia Climate Change Trust Fund (ICCTF/resilience window) will be used as financial mechanism to link national and local levels.

Key Activities

Several key activities will be carried out in this project as follows:

1. Define the problem and establish the context
2. Identify (local/regional) climate hazards and overlying natural disaster risks
3. Identify vulnerabilities of key impacted sectors (see annex for specific steps)
4. Analyze and evaluate the risks and risks in combination
5. Assess appropriate adaptation strategy based on the risk
6. Integration into development policies on local government level
7. Integration into development policies on national government level: improvement of the framework policies to enable adaptation on local levels
8. Design of effective financial and economic instruments to address adaptation issues on the local level¹
9. Training of local government officials and staff (awareness on climate change V-A, options for adaptation actions)

Primary Outputs

Primary outputs from this project are the following:

1. Climate change related database to support the current and future regional/local sustainable development planning.
2. Assessment report on Vulnerability and Adaptation by Meso Level of Analysis and Regional Multi-Sector Approaches in South Sumatra (Province Level).

¹ For example, climate change adaptation could be facilitated through greater use of market-based instruments such as efficient water pricing and water markets, and risk-based insurance for properties, floods and droughts.

3. Assessment report on Vulnerability and Adaptation (including methodology) by Micro Level of Analysis and Meso level Multi-Sector Approaches: policy recommendations and input to local level RPJM and annual sectoral plans, which are derived from local level V-A and adaptation strategy building and take the national RPJM (2010-2014) as framework. These documents should become an important contribution to formulation of national development planning.
4. A financial mechanism which allows local governments accessing national funds (to be provided to the ICCTF/resilience window)

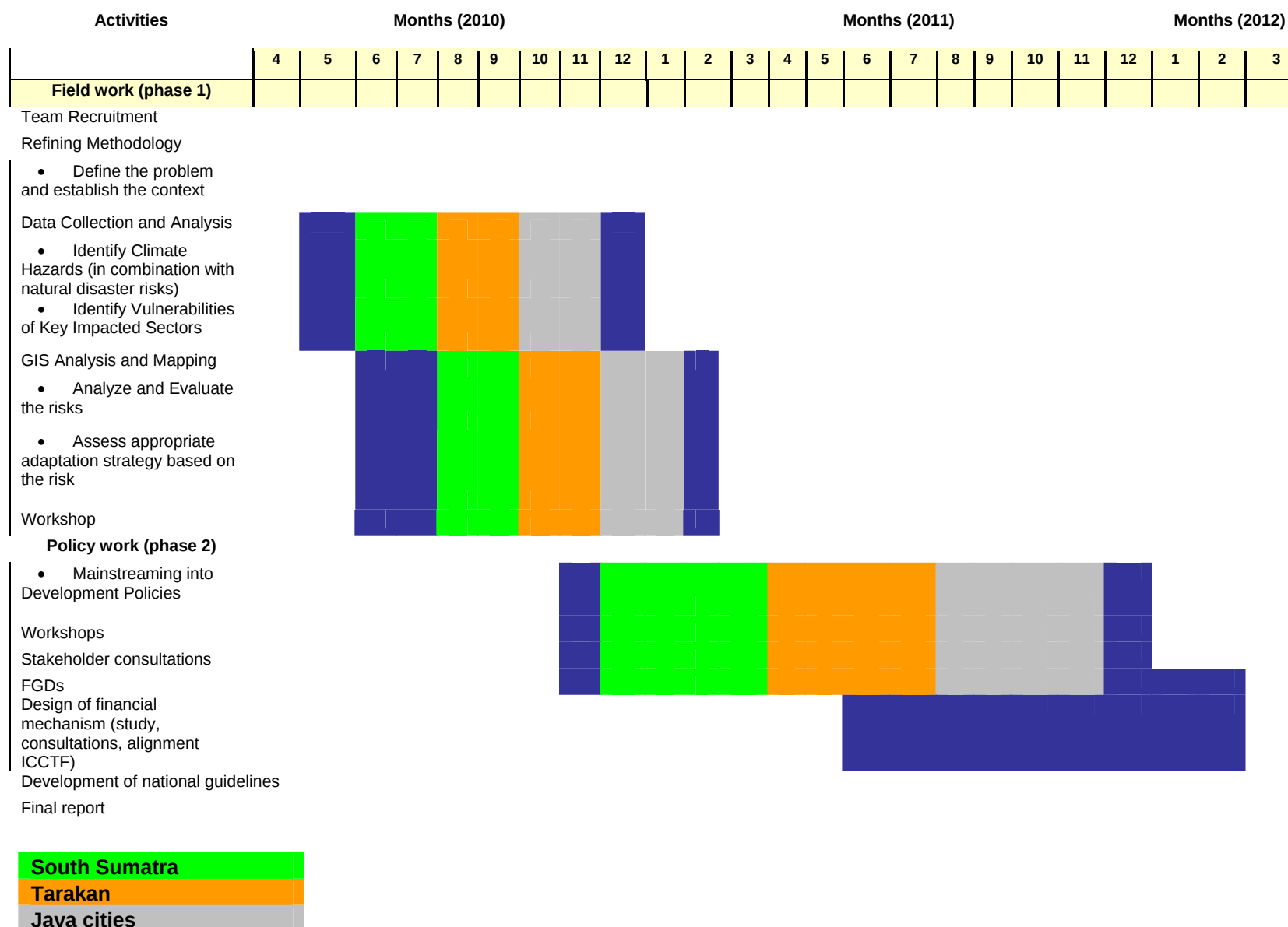
Primary Outcomes

Primary outcomes of these activities are as follow:

1. The local governments will understand about the range of programs/activities that need to be integrated into their development planning as well as approximate amount of financial needs to be sought for adaptation to climate change and specific disaster preparedness in their territory;
2. The central governmental institution (particularly Ministry of Finance; National Development Planning Agency / Bappenas as well as National Council for Climate Change) will gain knowledge about adaptation to climate change and combination to special measures of disaster preparedness at local/regional level for decision making process at national level.
3. These national institutions will have started to integrated issues of local level vulnerability and adaptation into policies and commenced to design conducive financial instruments
Capacities of local stakeholders (local government / institutions staff) is significantly enhanced: understanding of climate change impacts is given, technical skills to integrate these issues into plans and programs is enhanced.

Workplan

Duration of activities is two years (24 months) for conducting the activities given in the table below.

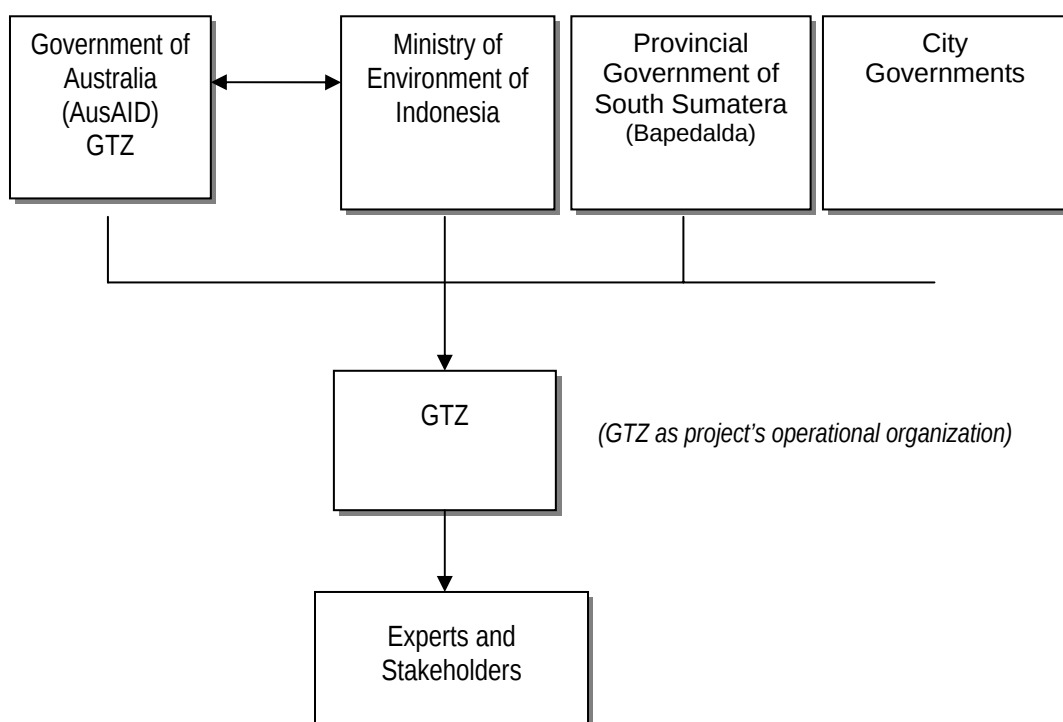


Organization of the project

The Ministry of Environment acts as project facilitator and overall coordinator in implementing the project especially in communication and coordination with international partner institution (AusAID and GTZ) and local governments. The local governments (among those Bapedalda Prov. Sumatra Selatan and BLH Kab. Tarakan) will be responsible for internal coordination at local level.

Based on the framework MoU (2008) between AusAID and GTZ, a contract will be developed in which details of transfer of funds to GTZ from AusAID will be set out. AusAID will be financier of the present project and therefore given a respective role in the **project's operational entity**. GTZ will be in turn responsible in terms of operationalization the project including expense of budget (staff, PoO, inputs, etc).

The organization of the project is as follows (the upper level is the steering committee):



Budget Contributed by AusAid

A. Budget for Provincial Level: South Sumatera

Budget Line	Description	Budget (Australia \$) AusAID
Experts	• Meteorologist • Sea level rise prediction • Water resources • Environmental engineering • Forest/horticulture • Agriculture • Public Health • Disaster surveyor • Environmental economist	172,000

Data	Data collections, copying	8,000
Travel	Airfare Jakarta – South Sumatra, airport tax, local transportation, hotel accommodation, and per diem.	16,000
Workshops, meetings, FGD, training	Accommodations, local transport	64,000
Sub Total		260,000

B. Budget for City Level: Tarakan City, East Kalimantan and two cities in Java

Budget Line	Description	Budget (Australia \$) AusAID
Experts	• Meteorologist • Sea level rise prediction • Water resources • Environmental engineering • Coastal and fisheries • Public Health • Disaster surveyor • Environmental economist	342,000
Data	Data collections, copying	6,000
Travel	Airfare Jakarta – Tarakan airport tax, local transportation, hotel accommodation, and per diem.	38,000
Workshops, meetings, FGD, training	Accommodations, local transport	104,000
Sub Total		490,000

C. Budget for policy work

Budget Line	Description	Budget (Australia \$)	
		AusAID	GTZ
Experts	• International expert for climate change adaptation (12 working months over a 2 year period) • National project coordinator (seconded, 12 working months over a 2 year period) • National expert on planning and climate change adaptation (4 months)	93,100	202,500
Data, FS on study on financial mechanism	Data collections, copying	50,000	
Travel	Airfares, local transportation,	100,000	

	accommodation.		
Workshops, meetings, FGD, training		100,000	
Sub Total		348,000	202,500

D. Budget for project management and administration

		AusAID	GTZ
Project Admin.	Independent Auditor		2,299
	Visa issues		1,149
	project mgmt support/overhead	156,900	132,000
Sub Total		156,900	135,448

E. Total budget and Co-Financing shares between AusAID and GTZ

Sub-Total (A + B + C + D) AusAID	(Australia \$) 1,250,000
Sub-Total (C + D) GTZ	(Australia \$) 337,948
Total budget (AusAID, GTZ)	(Australia \$) 1,587,948

**Co-financing
by Gov. of
Indonesia****Budget:**

The Indonesia government's contribution will be utilized to support attendance/ participation of Indonesian officers (Ministry of Environment and Local Governments) in meetings, workshops and Focus Group Discussion (FGDs). Office space will be provided.

ANNEX

Proposed methods of assessment as follows:

1. Literature review
2. Survey to Related Institutions
3. Focus group discussion and stakeholder dialogues
4. Adapt and expand the existing **meso** level-multi sectoral to the micro level multi sectoral approach (to be applied in cities): developing assessment tools for urban sectors (housing, transportation and others)
5. Policy review, dialogue with policy makers and integration of V-A into policies (including design of financial and economic instruments)

Proposed Steps for Analyzing Risk

1. Assessing Risk on Agriculture Sector
 - Food Balance
 - GIS Mapping
 - Analysis of Crop Failure
 - Vulnerability of Agriculture Sector
 - Climate Risk Analysis
2. Assessing Risk on Coastal Zone
 - Hazards Analysis
 - Vulnerability Analysis
 - Risk Analysis
3. Assessing Risk on Forestry Sector
 - Hazards Analysis
 - Vulnerability Analysis
 - Risk Analysis
4. Assessing Risk on Water Resources Sector
 - Hazards Analysis
 - Vulnerability Analysis
5. Assessing risks and vulnerability on city level
 - Hazards Analysis
 - Vulnerability Analysis
 - Risk Analysis
6. Economic valuation of the impacted priority sectors
 - Cost assessment of priority activities

Annex 3: 6 Monthly Reporting Template**Progress Report****Vulnerability and Climate Change Adaptation Assessment and Supportive Policies at National and Sub-national Levels**

Report No.	1	Period Covered		Author	
Summary of Progress against Objectives					
Activities			Progress/developments		
1.					
2.					
3.					
4.					
5.					
6.					
Issues Impacting Progress					
Activities for Next 6 months			Work to be Undertaken		
Lessons Learned					
Conclusions					