

**Joint Ex-Post Evaluation of Indonesia
“Climate Change Programme Loan (1)-(3)”**

March 2014

JAPAN INTERNATIONAL COOPERATION AGENCY

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**Agence Française de Développement
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**Republic of Indonesia Climate Change
Programme Loan 2008-2010**

Ex-Post Evaluation Final Report

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Preface

Ex-post evaluation of ODA projects has been in place since 1975 and since then the coverage of evaluation has expanded. Japan's ODA charter revised in 2003 shows Japan's commitment to ODA evaluation, clearly stating under the section "Enhancement of Evaluation" that in order to measure, analyze and objectively evaluate the outcome of ODA, third-party evaluations conducted by experts will be enhanced.

This volume shows the results of the ex-post evaluation of Indonesia "Climate Change Programme Loan (1)-(3)" jointly conducted with Agence française de développement (AFD). The ex-post evaluation was entrusted to external evaluators to ensure objective analysis of the projects' effects and to draw lessons and recommendations to be utilized in similar projects.

The lessons and recommendations drawn from these evaluations will be shared with JICA's stakeholders in order to improve the quality of ODA projects.

Lastly, deep appreciation is given to those who have cooperated and supported the creation of this volume of evaluations.

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Toshitsugu Uesawa
Vice President
Japan International Cooperation Agency (JICA)

Disclaimer

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JICA's comments may be added at the end of each report when the views held by the operations departments do not match those of the external evaluator.

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Acronyms

ADB	Asian Development Bank
AFD	Agence Française de Développement
APBN	State Budget of Revenues and Expenditures
AusAID	The Australian Government's Overseas Aid Program
BAPPENAS	The National Development Planning Agency, Republic of Indonesia
BAU	Business as Usual (or BaU)
BIG	Geospatial Information Agency (Badan Informasi Geospasial)
BKF	Fiscal Policy Agency, Ministry of Finance, Republic of Indonesia
BMG	The Meteorology and Geophysics Agency
BMKG	The Agency of Meteorology, Climatology and Geophysics, Republic of Indonesia (renamed from BMG in September 2008)
bn	Billion
BNPB	The National Disaster Management Agency, Republic of Indonesia
BPBD	Local Disaster Management Agency, Republic of Indonesia
BPDAS	Watershed Management Technical Units
BPN	National Land Agency
BS	Budget Support
CC	Climate Change
CCBS	Climate change budget support
CC-DAK	Climate Change Special Allocation Fund
CCPL	Climate Change Program Loan
CCT	Clean Coal Technology
CEF	Comprehensive Evaluation Framework
CFL	Compact Fluorescent Light Bulbs
CFS	Climate Field School
CH4	Methane
CIESIN	Center for International Earth Science Information Network
CMEA	Coordinating Ministry for Economic Affairs, Republic of Indonesia
CMPW	Coordinating Ministry for People's Welfare, Republic of Indonesia
CA	Current account
CO2	Carbon Dioxide
CO2e	Carbon Dioxide Equivalent
COP	Conference of the Parties
COREMAP	Coral Reef Rehabilitation and Management Program
CVI	Coastal vulnerability index
CY	Calendar Year
DAC	Development Assistance Committee
DAK	Special Allocation Fund (Dana Alokasi Khusus)
DEN	National Energy Council
DFID	Department for International Development
DG	Directorate General
DKI	Special Region (Derah Khusus Ibukota)
DME	Energy Self-Sufficient Village Program
DNPI	National Council on Climate Change
DPL	Development Policy Loan

EBS	Evaluating Budget Support
EC	European Commission
EEIMS	Energy and Emissions Information Management System
FAO	Food and Agriculture Organization
FIT	Feed-in Tariff
FLEGT	Forest Law Enforcement Governance and Trade
FMU	Forest Management Unit
FNC	The First National Communication to the United Nations Framework Convention on Climate Change
F/S	Feasibility Study
FY	Fiscal Year
GBS	General Budget Support
GDP	Gross Domestic Production
GEF	Global Environment Facility
GG21	Global Group 21 Japan, Inc.
GHG	Greenhouse Gas
GIZ	German International Cooperation Agency (Deutsche Gesellschaft für Internationale Zusammenarbeit)
GOF	The Government of France
GoI	The Government of Indonesia
GOJ	The Government of Japan
ha	Hectare
HA	Natural Forest (Hutan Alam)
HTI	Industrial Forest Plantation (Hutan Tanaman Industri)
HTR	Community Forest Plantation (Hutan Tanaman Rakyat)
ICCPL	Indonesia Climate Change Program Loan
ICCSR	Indonesia Climate Change Sectoral Roadmap
ICCTF	Indonesia Climate Change Trust Fund
IDA	International Development Association
IDR	Rupiah
IGA	Investment Grade Audit
IGCC	Integrated Gasification Combined Cycle
IGES	Institute for Global Environmental Strategies
INAGOOS	Indonesia Global Ocean Observing System
INCAS	Indonesia's National Forest Carbon Accounting System
IOC	Intergovernmental Oceanographic Commission
IPCC	Intergovernmental Panel on Climate Change
IPP	Independent Power Producer
IRDB	International Bank for Reconstruction and Development
IUP	Geothermal Mines Concession
IUPHHK	Timber forest products utilization permit (Izin Usaha Pemanfaatan Hasil Hutan Kayu)
Jabodetabek	Combined area of Jakarta, Bogor, Depok, Tangerang, and Bekasi
JICA	Japan International Cooperation Agency
JTA	Jabodetabek Transportation Authority
KEN	National Energy Policy
KLH	Ministry of Environment
KPHL	Protection Forest Management Unit

KPHP	Production Forest Management Unit
kW	Kilowatt
kWh	Kilowatt hour
LIC	Low Income Countries
LUCF	Land Use Change and Forestry
LULUCF	Land Use, Land-use Change, and Forestry
MAPI	Climate Change Working Unit
MEMR	Ministry of Energy and Mineral Resources, Republic of Indonesia
MDG	Millennium Development Goals
MIC	Middle Income country
MMAF	Ministry of Marine Affairs and Fisheries, Republic of Indonesia
MOA	Ministry of Agriculture, Republic of Indonesia
MOE	Ministry of Environment, Republic of Indonesia
MOF	Ministry of Finance, Republic of Indonesia
MOFR	Ministry of Forestry, Republic of Indonesia
MOHA	Ministry of Home Affairs, Republic of Indonesia
MOI	Ministry of Industry, Republic of Indonesia
MOPW	Ministry of Public Works, Republic of Indonesia
MRV	Measurement, Reporting and Verification
MTDP	Medium Term Development Plan
MW	Megawatt
NAMA	Nationally Appropriate Mitigation Actions
NAP	National Action Plan
NAPA	National Adaptation Programme of Action
NCCC	National Council on Climate Change
NGO	Non-governmental Organization
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PBB	Performance Based Budgeting
PFM	Public Finance Management
PIP	Indonesia Investment Agency
PIPIB	Indicative Moratorium Map
PISP	Participatory Irrigation Sector Project
PLN	State Electricity Company, Republic of Indonesia
POLA	Integrated Water Resources Management Patterns and Plans (Pola Pengelolaan Sumber Daya Air)
PP	Government Regulations
PPA	Power Purchase Agreement
PRSP	Poverty Reduction Strategy Paper
PTLP	Geothermal Power Plant (Pembangkit Listrik Tenaga Panas)
PSAP	Provincial Strategy and Action Plan
RAD-GRK	Regional Action Plan on Green House Gas Emissions Reduction
RAN-API	National Action Plan of Climate Adaptation
RAN-GRK	National Action Plan on Green House Gas Emissions Reduction
RAN-PI	National Action Plan Addressing Climate Change
REDD	Reducing Emissions from Deforestation and forest Degradation
REDD+	An enhanced concept of REDD including the objectives of conservation, the sustainable management of forests and enhancement of forest

	carbon stocks
REFB-BURN	Integrated Program for Reducing Emissions from Fossil Fuel Burning
RENSTRA	Strategic Plan
RIKEN	National Master Plan for Energy Conservation
RKP	Government Action Plan
RPJMN	National Medium-Term Development Plan
RPP	Draft of Government Regulation
RUEN	National Energy Plan
RUPTL	Electricity Supply Business Plan
SBGS	Standard General Budget Support
SBS	Sectoral Budget Support
SC	Super Critical Technology (of Coal Power Plant)
SC	Steering Committee (of ICCPL)
SIGN	National Greenhouse Gas Inventory System
SIAM	The Supporting Implementation of Irrigation Asset Management Project
SITRAMP	Study on Integrated Transportation Master Plan for Jabodetabek
SMIEE	Emissions and Energy Management Information System
SNC	The Second National Communication to the United Nations Framework Convention on Climate Change
SOE	State Owned Enterprise
SOP	Standard Operation Procedure
SRI	System of Rice Intensification
SVLK	Timber Legality Verification System
TA	Technical Assistance
TDL	Electricity Basic Tariffs
TKPSDA	Water Resource Management Coordination Team
TTM	Technical Committee / Technical Task Force Meeting (of ICCPL)
UKP4	Presidential Working Unit for Supervision and Management of Development
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
USC	Ultra-Super Critical Technology (of Coal Power Plant)
USD	United States Dollar
VPA	Voluntary Partnership Agreement (between European Union and the Republic of Indonesia)
WKP	Mining Work Area (of Geothermal) (Wilayah Kerja Pertambangan)
WS	River Basin (Wilayah Sungai)

Executive summary

Between 2008 and 2010, the Japan International Cooperation Agency (JICA) and Agence Française de Développement (AFD) provided budgetary assistance to the Government of Indonesia (GoI) to support the implementation of policies designed to help meet the challenges for Indonesia of climate change. In 2010, JICA and AFD were joined by the International Bank for Reconstruction and Development (World Bank). Lending under what was collectively known as the Indonesian Climate Change Programme Loan (ICCPL) amounted to a total of US\$ 1.9 bn (JICA 0.9, AFD 0.8 and WB 0.2), channelled untargeted into the GoI annual State budget, but released on a yearly basis against a check of performances in connection with agreed steps in the implementation of policies to manage mitigation of and adaptation to climate change. The agreed steps and related indicators were summarized in a Policy matrix, which was the main tool for monitoring.

The commitment of the GoI to fight Climate Change (CC) was very strong since 2007, as shown by the Indonesia's commitment to climate change action, when the country hosted the UNFCCC 13th Conference of the Parties in Bali and published its *National Action Plan Addressing Climate Change* in December 2007. In September 2009, the President took the ground-breaking step of announcing mitigation commitments at the G20 of a reduction in GHG emissions from the 'Business as Usual' (BAU) level of 26% by 2020, and 41% with international support.

The overall objective of this evaluation is to assess the extent to which the support provided by AFD and JICA through 2008-2010 enabled GoI to develop and efficiently implement an effective strategy to meet the challenges for Indonesia of climate change (CC).

The purpose of the evaluation is to derive lessons from the experience of providing such budgetary assistance, assessing the benefits or otherwise of combining fiscal and climate change objectives, whether it was an appropriate instrument to support the design and implementation of policies directed at managing the impact of climate change, and whether and in what form it might be applicable in the future to address climate change or related issues, in Indonesia or elsewhere.

The rationale for the joint evaluation is to enhance stakeholders' understanding, based upon the need to examine the appropriateness of the use of donor funds in this way, accounting both to the taxpayers of the donor countries to determine whether it was money well spent, and to the citizens of Indonesia as to whether it justified the increase in indebtedness.

Before presenting the conclusions of our evaluation, we need to mention some of its limitations. Firstly, the joint nature of the evaluation entailed specific difficulties linked to the different intervention logic of the Donors, but also to a different approach and understanding of some operational dimensions. Secondly, the timing of the evaluation (2012-2013) was too remote from the end of the ICCPL and a big part of the institutional memory was lost. At the same time, the evaluation was run too early with respect to the impacts, which take a longer

time lag to become measurable. Finally, the switch in the evaluation team was a significant impediment, especially since the first team did not use the 3 step methodology, resulting in a loss of information.

In terms of climate change, Indonesia is both one of the most significant contributors and one of the most vulnerable countries to climate change, due to its archipelagic nature and its dependency on agriculture and fisheries for livelihoods and, with forestry, for national income. With emissions of around 397 megatonnes in 2008, Indonesia was ranked 16th according to a 2009 UN classification of CO₂ emissions from the use of fossil fuels, with China the largest emitter, at 6,538 megatonnes, and the USA second with 6,094 megatonnes. However, the bulk of Indonesia's GHG emissions, accounting for about two thirds of the total, are from activities on forest and peat lands, which together cover 70% of the country.

In order to evaluate the ICCPL, we build upon the OECD/DAC 3-step methodological approach and developed a framework adapted to the climate change issues and to the ICCPL particular context. We will therefore analyse the ICCPL inputs and their direct and indirect effects on changes in financing and institutional national arrangements and then assess the GoI's response and the impacts in terms of mainstreaming climate change issues.

Inputs, direct and induced outputs of the ICCPL

The ICCPL financial inputs were determined in order to foster high level political dialogue and the TA programs were designed as to respond to ministries' demand for support. In addition, the policy dialogue, through its various forms, corresponds to the GoI's expectations in terms of visibility and high-level expertise.

In terms of consistency with the national policy for climate change, we can agree that the ICCPL was designed taking into consideration the already advanced national strategy on CC and its main features follow the predefined lines of the Donors' climate change approach.

The ICCPL is a pioneer in terms of CC funding and thus its design stems from the Indonesian context and specific demands. This guarantees a high degree of adaptation to the country's political, economic and institutional context, but also leaves space for improvements. Amongst them, we have highlighted the fact that the amount of the budget support is not very important with regards to the GoI's financial resources and this raises the issue of an eventual limited leverage when discussing the CC policy orientation.

The amounts of funding provided under the ICCPL are small in a macroeconomic perspective (less than 0.7 per cent of the revenue of the GoI). Hence, the ICCPL had very little direct effect on the efficiency of external funding submitted to the national budget process. Moreover, the GoI's fiscal position was and remained sound. Nevertheless, the disbursements of the CCPL in a time of crisis provided some countercyclical support, which is a valuable input, without jeopardizing debt sustainability.

Through its various committees, the ICCPL created a framework for the discussions focused on the GoI's strategies on CC, improving the communication between ministries and Donors.

However, insufficient awareness and incentive for line ministries highlighted that there was progress to be made in establishing a well-functioning dialogue framework between ministries.

By enhancing the national information system, through the monitoring process, and the strengthening of CC related institutions, the ICCPL had a considerable influence on the quality of the CC policies process and their implementation.

The ICCPL also contributed to identifying CC related public expenditure. Moreover, the CC policies are taken now into consideration into the Performance Based Budgeting (PBB). The ICCPL contributed to the publication of a GoI's roadmap for dealing with the reduction of energy subsidies (23 billion USD in 2008). However it took time and decision in this sense could not be taken before 2013.

The ICCPL, with its regular check on performance and incentives for compliance in terms of funding, is widely recognised among officials and agencies as having contributed strongly to bringing the issues of climate change to the centre of Government policy development and implementation. In this regard, the attainment of crosscutting objectives has probably had the greatest impact, since it completed the mitigation and adaptation achievements which were already part of long term programmes.

Furthermore, the ICCPL offered a source of financing in times of dry credit markets, although it had almost no impact on the Indonesian macroeconomic environment.

The ICCPL had an impact on the mainstreaming of CC issues to the extent that it contributed to maintain and crystalize the CC momentum sparked by the UNFCCC 13th Conference of the Parties in Bali. It also enshrined the legitimacy of BAPPENAS in the CC decision making and resource allocation process. However, the authors could not provide evidence of any improvement in terms of public discussion about the CC.

Given that the ICCPL was not advertised as such, there is no direct result on the diffusion of data that can be directly linked to the ICCPL. Nevertheless, the interviews showed that the monitoring and the capacity building for GHG measuring provided by the ICCPL improved the quality of the data on CC. The BMKG (Agency of Meteorology, Climatology and Geophysics) Early Warning System, included in the ICCPL Phase 1 policy indicators, has reinforced the quality and diffusion of CC data.

Outcomes and impacts of the GoI's policies supported by the ICCPL

The lack of accurate and precise data on the evolution of GHG prevents us from making a correct assessment on their decrease (or increase), but a clear improvement of the ways to manage the CC can be observed through the period under consideration.

In terms of the participation of the civil society in the CC policies there is no significant improvement, but the local governments saw their involvement increase, especially with the

RAD-GRK (National Action Plan on Green House Gas Emissions Reduction), and some private firms did take steps towards better taking into account impacts on the environment and biodiversity.

Finally, the GoI has fully claimed ownership of the CC policies. However, the sustainability of the processes induced by the ICCPL can be threatened by factors such as a radical change in GoI's priorities, which would redirect the resources away from CC concerns. So far, this risk did not materialize. At the opposite, the sustainability of the results induced by the ICCPL did improve after 2010 because some arrangements put in place under the ICCPL are still working after its end.

To what extent are the changes linked with ICCPL inputs?

By providing a space for discussing CC, facilitating and strengthening communication within the government, the ICCPL has made a strong contribution to the mainstreaming of the CC issue. Its contribution was however lower concerning the international visibility of the GoI's policy on CC, mainly due to the ambiguous position resulting from Indonesia's status as a non-Annex I country and the financial instrument chosen for the ICCPL.

The influence of the ICCPL is more visible in the two main supported sectors, LULUCF and energy. For LULUCF linked activities, the ICCPL played a significant role especially in the FMU implementation, but its contribution in the other sub-sectors is difficult to assess given the institutional problems of the sector (bad governance, opaque functioning etc.) and the considerable amounts of grants and TA provided by other Donors.

Concerning the energy sector, the ICCPL had a strong impact mainly by speeding up some of the scheduled measures in terms of energy efficiency, but its overall influence was limited by the negative reactions of Indonesian Parliament to an eventual suppression of energy subsidies, largely promoted by the Donors. For the transport activities, the ICCPL influence was moderate, given the complexity of the sector.

Adaptation being one of the focus points of the ICCPL, its "moderate to strong" contribution in the concerned sectors was mainly channelled through the strengthening of institutions involved in the fight against CC and the pushing-up of regulations designed to improve GoI's proficiency in the field.

Finally, we can say that the ICCPL had a moderate influence on the PFM resulting in a better identification of CC expenditure. Its impact on the macro stability is even lesser due the marginal role played by the ICCPL and to an economic context characterized by high inequality.

Provision of TA contributed to improve the implementation of policy indicators in the context of Indonesian institutional settings by raising capacity at central and local level.

Key conclusions and recommendations

In terms of lessons learnt, we underscore that a programme such as the ICCPL impacts the relations between ministries by increasing in the influence of some of them. This was the case in Indonesia where the BAPPENAS saw the ICCPL as a means to secure its development plans and to pressure line ministries in respecting their commitments.

Besides, the existence of a clear and publicly endorsed government commitment to fight CC was crucial for the implementation of a program such as ICCPL and for the sustainability of its effects.

Finally, high level policy dialogue has been a major achievement of the ICCPL, which should be replicated carefully. This top level policy dialogue has been closely related to technical policy dialogue, which fuelled its effectiveness.

Regarding recommendations, we highlight the importance of prerequisites such as (i) the existence of a formal and informal commitment to fight CC, and the consistence of these commitments with the global development strategy of the Government; (ii) the initial level of mainstreaming of the CC strategy; (iii) the technical capacities of the public administration and civil society and (iv) the existence of a clear and shared logical framework before the beginning of the implementation of a CCPL, which should include the evaluation questions for the final assessment.

Moreover, the annual nature of the ICCPL makes it difficult to fully take into account the various steps that should be considered from the beginning in order to get some leverage and speed the process. The policy matrix covering three-years on a rolling basis is a good basis for day to day management, but CC is a long term process. For this reason, a participative long term strategy should be worked out from the beginning, in order to put the yearly programs in perspective.

To solve the opposition of long-term visions and short-term actions, it would be relevant to conclude partnerships that would be maintained over time. The switch from an annual loan to a LT partnership should then consider exit strategies relative to these risks.

Attention should be paid to the incentive structure for all entities involved in the policy dialogue (line ministries, local governments). Too much strain should be avoided when the action plans are implemented and the results monitored, reported and verified. Tangible benefits for those entities should be considered, including the provision of additional capacity building and TA.

Finally, a CCPL entails a reputation risk for donors, because of unexpected developments. For this reason, it could be considered to introduce in the matrix something like “negative pledge clauses”, or “negative triggers”, meaning that in some pre-set cases the disbursements would stop.

During the period 2007-2010, the GoI did pass various laws and regulations and made significant communications about mitigation CC policies in Indonesia. The continuous policy

dialogue under the ICCPL played a significant role to strengthen the process as expected. Because of the involvement of line ministries in the process, the mainstreaming of the CC policy did improve, including some SOEs and even private firms. ICCPL made direct and indirect contributions to the progress in the mainstreaming of CC policies. However, the outcomes and impacts of the policies are still to be seen. They are likely to come with a long time lag. In the short run the results are mixed in the sense that, globally, the GHG emissions continued to increase, but there is no data allowing us to make a judgement on their evolution against the BAU.

Evaluation methodology: advantages and limitations of the standard DAC 3 steps approach in the case of the CCPL.

The DAC approach is mainly used for assessing Budget support for poverty alleviation in Low Income Countries. Some specific problems arise when used for assessing budget support in Middle Income countries, namely because those countries have usually an access to the financial market, which allows for a better ownership of the policies. To our knowledge, this methodology was not used before in the case of CC.

Our evaluation shows that the DAC approach is useful for:

1. **Identifying the right evaluation questions.** Otherwise, a risk exists that the set of questions used for the evaluation would oversee some aspects of the problem. The DAC 3 steps approach is based on a Comprehensive Evaluation Framework which allows disentangling the relationships between various levels of the influence chain linking inputs to impacts.
2. **Avoiding wrong attributions or contributions.** The Step 3 is interesting from this point of view, because evaluators have to investigate the contributions made by the inputs provided by donors to outcomes and impacts. Otherwise, the impacts could be wrongly presented as a result of the support provided. Note however that even in the standard approach no claim is made that evaluation would allow to attribute some impacts to inputs. For explaining the impacts, a wealth of variables are to be taken into consideration, and even sophisticated econometric methods are not likely to shed much light in this regard.
3. **Taking into consideration the influence chain from inputs to impacts** (comprehensive framework). Step 1 amounts to assessing to what extent the inputs provided did (or not) influence the induced outputs. However, it could be the case that those induced outputs had no or little influence on the impacts of the policy.

Nevertheless, in the case of the ICCPL:

1. **The counterfactual is unclear.** Evaluation should be made relative to a counterfactual (what would have happened is the ICCPL had not been granted to Indonesia?) This is because the GoI could borrow the money needed from the markets and implement the program without support if it was a priority.
2. **The measurement of outcomes and impacts remains elusive.** In the case of the ICCPL, no Policy matrix of the GoI was available to monitor precisely the outcomes

and impacts. For instance, the change in illegal logging is hard to document. Various measurements of the GHG emissions are published. No third party check is available.

3. **Long delays between inputs and impacts did not allow for taking all impacts into consideration.** The final impact of the policies is likely to be seen only after long delays. On the other hand, if the evaluation takes place a long time after the end of the support, most of the institutional memory will be unavailable.
4. **Influence links are difficult to trace,** because the amount of money is not likely to be important for reaching the results. In the case of the standard approach, money triggers and disbursements make it relatively easy to find out what was the contribution of the inputs of budget support to the outcomes and impacts. In the case of the CCPL, mainly related to supporting the policy making and not to the provision of public services as in the standard case such links are rather elusive, in particular when assessing the role of TA.

Introduction

This document presents the joint AFD-JICA evaluation of the Indonesia CCPL along the lines of the standard OECD DAC 3 steps methodology. It draws heavily on previous reports by an evaluation team of five members¹ including two experts financed by JICA and three by AFD, between them encompassing expertise in budget support, climate change policy, and each of the two key sectors affected: forestry and energy. We also gratefully acknowledge the valuable inputs provided by the IGES (Institute for Global Environmental Strategies) monitoring team financed by JICA². This report takes into consideration their analysis and data³. Moreover, some sections of their monitoring and evaluation reports have been fully integrated as such in the report. The standard UN terminology (see box 1) will be used throughout this report.

Objectives and scope of the study

Between 2008 and 2010, the Japan International Cooperation Agency (JICA) and Agence Française de Développement (AFD) provided budgetary assistance to the Government of Indonesia (GoI) to support implementation of policies designed to help meet the challenges for Indonesia of climate change. In 2010, they were joined by the International Bank for Reconstruction and Development (IBRD or the World Bank). Lending under what was collectively known as the Indonesian Climate Change Programme Loan (ICCPL) amounted to a total of US\$ 1.9bn in concessional financing (\$0.9bn from JICA, \$0.8bn from AFD), channelled untargeted into the GoI annual state budget, but released against performance in connection with agreed steps in the implementation of policies to manage the impact of climate change on the economy and the environment.

In this context it needs to be remembered that as untargeted budget support, there is no direct link between expenditure on climate change interventions and the amounts made available through the programme loan(s).

The overall objective of the evaluation is to assess the extent to which the support provided by AFD and JICA through 2008-2010 enabled GoI to develop and efficiently implement an effective strategy to meet the challenges for Indonesia of climate change (CC).

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³ The authors benefitted from a continuous and invaluable support from Masumi Shimamura and Virza Sasmijawidjaja during the finalisation phase.

The purpose of the evaluation is to derive lessons from the experience of providing such budgetary assistance, assessing the benefits or otherwise of combining fiscal and climate change objectives, whether it was an appropriate instrument to support the design and implementation of policies directed at managing the impact of climate change, and whether and in what form it might be applicable in the future to address climate change or related issues, in Indonesia or elsewhere.

The rationale for the joint evaluation is to enhance stakeholders' understanding, based upon the need to examine the appropriateness of the use of donor funds in this way, accounting both to the taxpayers of the donor countries to determine whether it was money well spent, and to the citizens of Indonesia as to whether it justified the increase in indebtedness. Given that JICA and AFD have been the key partners in the ICCPL almost from the outset (even if AFD joined the process slightly later), it makes sense for the evaluation to be conducted by them jointly. Both donors have similar questions as to the value of using their resources in this way, and both are looking to learn similar lessons as to the use of budget support to assist economic and social development generally and to promote particular climate change policy adjustment specifically. Moreover, both Donors have a common interest in evaluating the pro- and cons- of using the OECD adapted 3 steps methodology to ICCPL like programs.

However, a joint evaluation entails special difficulties. Actually, what is true for the AFD is not necessarily true for the JICA, and other way round. Both agencies have different intervention logics in Indonesia. AFD was a new player in this country, so its experience of this country was limited. JICA is a major donor in Indonesia with a rather long experience of the country. CPPL is one instrument of JICA's support among others (namely DPLs, TA, projects, etc.). At the opposite, CPPL was AFD's first big scale intervention in this country. Moreover, some elements of the ICCPL have a different meaning when they are used by AFD or JICA. For instance, the understanding of the trigger concept as applied to the ICCPL is not homogenous. JICA holds the view that Policy matrix indicators may be considered as classic triggers, whereas the AFD does not. The same is true to some extent for the TA programs and their link with the ICCPL. Along the same lines, we were unable to retrace a shared logical framework for the ICCPL, which would have allowed us to have a clear understanding of the Donors' perception of the influence chain before the program's start⁴.

Along with these difficulties, we need to mention some of the limitations of our study⁵. We faced two main constraints: one in terms of time and one in terms of continuity in the assessment team.

Time was a particular constraint that acted through three channels. First of all, the timing of the evaluation (2012-2013) was too remote from the end of the ICCPL in the sense that there is very little institutional memory that could have helped us retrace the ICCPL process and stakes. This was a significant impediment since many Indonesian and Japanese counterparts

⁴ This does not mean that the assessment should always be conducted along the lines of the logical framework since this framework might prove to be inappropriate or the objectives may evolve during the program (for instance, in order to benefit from unexpected new opportunities or to face unexpected constraints).

⁵ The limitations proper to the methodology will be discussed in chapter 2 and in the last section of chapter 6.

involved in the ICCPL setup and launching could not be reached. At the same time, the evaluation was run too early with respect to the climate impact, which takes a longer time lag to become measurable.

A further difficulty was that the first team in charge of the assessment did not use the 3 step methodology (that explains the change of the team). For this reason, the information gathered at the beginning was not geared to answering the questions we found relevant according to the 3 steps methodology. Moreover, we did not have access to minutes of the first wave of interviews conducted by the first team. Therefore a second wave of interviews had to be carried out in April-May 2013, but it has been impossible to reach all the persons that provided information during the first wave.

The report is structured as follows. The first chapter introduces the general context. The relevant stylized facts on the issue of climate change in Indonesia and the Government of Indonesia's policies will be rapidly reviewed, as well as the main features of the ICCPL and the intervention logic of AFD and JICA.

Chapter 2 will develop the methodology used in this report (a more general piece of reflexion about the 3-step methodology applied to climate change issues is to be found in the Appendix 1). The following chapters will present each step of the evaluation, retracing the evaluation questions and their answers.

Chapter 3 will be devoted to Step 1 (inputs, direct and induced outputs). Chapter 4 will present results and impacts (Step 2). Chapter 5 links outcomes to inputs and outputs.

The final chapter will conclude on the effects of the CCPL in Indonesia and present the lessons learnt and the recommendations for future CCPLs.

Chapter 1 Context

1.1.Overview

Indonesia is both one of the most significant contributors to climate change and one of the most vulnerable countries to climate change, due to its archipelagic nature and dependency on agriculture and fisheries for livelihoods and, with forestry, for national income. Enormous carbon stocks in its forest and peat lands also means that Indonesia is a candidate for large scale funding for climate change mechanisms such as Reducing Emissions from Deforestation and forest Degradation (REDD+).

With emissions of around 397 megatonnes in 2008, Indonesia was ranked 16th according to a 2009 UN classification of CO₂ emissions from the use of fossil fuels, with China the largest emitter, at 6,538 megatonnes, and the USA second with 6,094 megatonnes. However, the bulk of Indonesia's GHG emissions, accounting for about two thirds of the total, are from activities on forest and peat lands⁶, which together cover 70% of the country⁷. When emissions from Land Use, Land Use Change and Forestry (LULUCF) are added, Indonesia ranks third in the world in terms of emissions. LULUCF emissions amounted to 1,206 megatonnes (or 67% of the total) in 2005, up from 897 megatonnes in 2000 (65% of the total).

Currently, the CO₂ emissions from land use and deforestation are together greater than those from fossil fuel combustion. The energy sector, at 370 megatonnes in 2005 (including transportation), accounted for 63% emissions excluding LULUCF but less than 21% when these are also considered. As land use changes and deforestation are brought under control emissions from fossil fuel combustion become ever more important and the imperative to control them increasingly significant.

Table 1-1: Indonesia Greenhouse Gas Emission (Mt CO₂e)

Sector	2000	2001	2002	2003	2004	2005	Average Growth (% per year)
Energy	280.9	306.8	327.9	333.9	372.1	369.8	5.8%
Industrial Process	43.0	49.8	43.7	47.9	48.0	48.7	2.9%
Agriculture	75.4	77.5	77.0	79.8	77.9	80.2	1.2%
Waste	157.3	160.8	162.8	164.1	165.8	166.8	1.2%
LUCF	649.2	560.5	1,287.5	345.5	617.4	674.8	Fluctuated
Peat Fire	172.0	194.0	678.0	246.0	440.0	451.0	Fluctuated
Total with LUCF&Peat Fire	1,378.0	1,349.4	2,576.9	1,217.2	1,721.2	1,791.4	Fluctuated
Total without LUCF&Peat Fire	556.7	594.9	611.5	625.8	663.8	665.5	3.6%

Source: Indonesia second national communication

⁶ Notably peat land degradation, fires, and deforestation.

⁷ Forest (including peat lands) classified as permanent forest accounts for 58%.

Besides the obligations to manage, control and reduce GHG emissions, climate change directly challenges Indonesia's development aspirations both by presenting different opportunities and prospects for the future and by putting past development gains in jeopardy. Some areas of Indonesia are particularly vulnerable and to multiple climate change hazards. Studies have shown that the productive areas of eastern and western portions of densely-populated Java, Bali, the coastal regions of much of Sumatra, parts of western and northern Sulawesi, and South-eastern Papua islands are especially at risk and rank high on the multiple climate hazard map. Warming is not the only, nor probably the greatest, risk for most areas. More intense rainfall and sea-level rise will both adversely affect food security, health, water resources, and farming and coastal livelihoods, as well as forest and marine biodiversity.

Failure to adapt adequately to this climate change induced effects will hurt not only the economy but more especially the poor. The Asian Development Bank in 2009 projected that, by the end of the century, the effects of climate change will be costing Indonesia a loss of between 2.5% and 7% of GDP. The greatest impacts will fall on the poorest people, especially those dependent on climate-sensitive livelihoods, such as agriculture and fisheries, and those living in areas susceptible to, for example, drought, flooding or landslides. The poor lack the assets and livelihood flexibility to provide a buffer against the negative impacts of climate change on productivity and social living conditions, or to offset and recover from the devastation wrought by natural disasters, extreme weather, or economic downturn. Further, among the poor, women and female-headed households, families with a large number of children, and ethnic minorities are disproportionately represented, such that the impacts of climate change for Indonesia are likely to also be socially as well as economically divisive.

Box 1-1: Climate change glossary

Adaptation

Adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities

Annex I Parties

The industrialized countries listed in Annex I to the Convention, which committed to returning their greenhouse-gas emissions to 1990 levels by the year 2000 as per Article 4.2 (a) and (b). They have also accepted emissions targets for the period 2008-12 as per Article 3 and Annex B of the Kyoto Protocol. They include the 24 original OECD members, the European Union, and 14 countries with economies in transition. (Croatia, Liechtenstein, Monaco, and Slovenia joined Annex 1 at COP-3, and the Czech Republic and Slovakia replaced Czechoslovakia.)

Annex II Parties

The countries listed in Annex II to the Convention have a special obligation to provide financial resources and facilitate technology transfer to developing countries. Annex II Parties include the 24 original OECD members plus the European Union.

Conference of the Parties (COP)

The supreme body of the Convention. It currently meets once a year to review the Convention's progress. The word "conference" is not used here in the sense of "meeting" but rather of "association". The "Conference" meets in sessional periods, for example, the "fourth session of the Conference of the Parties."

Declaration

A non-binding political statement made by ministers attending a major meeting (e.g. the Marrakesh Ministerial Declaration of COP-7).

Financial Mechanism

Developed country Parties (Annex II Parties) are required to provide financial resources to assist developing country Parties implement the Convention. To facilitate this, the Convention established a financial mechanism to provide funds to developing country Parties. The Parties to the Convention assigned operation of the financial mechanism to the Global Environment Facility (GEF) on an on-going basis, subject to review every four years. The financial mechanism is accountable to the COP.

Land use, land-use change, and forestry (LULUCF)

A greenhouse gas inventory sector that covers emissions and removals of greenhouse gases resulting from direct human-induced land use, land-use change and forestry activities.

Mitigation

In the context of climate change, a human intervention to reduce the sources or enhance the sinks of greenhouse gases. Examples include using fossil fuels more efficiently for industrial processes or electricity generation, switching to solar energy or wind power, improving the insulation of buildings, and expanding forests and other "sinks" to remove greater amounts of

carbon dioxide from the atmosphere.

Nationally appropriate mitigation actions (NAMAs)

At COP 16 in Cancun in 2010, Governments decided to set up a registry to record nationally appropriate mitigation actions seeking international support, to facilitate the matching of finance, technology and capacity-building support with these actions, and to recognize other NAMAs

Non-Annex I Parties

Refers to countries that have ratified or acceded to the United Nations Framework Convention on Climate Change that are not included in Annex I of the Convention.

REDD

Reducing Emissions from Deforestation and Forest Degradation.

UNFCCC

United Nations Framework Convention on Climate Change.

Vulnerability

The degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change, including climate variability and extremes. Vulnerability is a function of the character, magnitude, and rate of climate variation to which a system is exposed, its sensitivity, and its adaptive capacity.

Source: UNFCCC

1.2. Government Policy developments on climate change

Key Milestones

The Government has recognized climate change as a key issue for economic and social development. Early action to address mitigation and adaptation concerns has been considered as strategically and economically beneficial for Indonesia. The Government has initiated a number of investigations to support the development of policies to manage the response to climate change and these have led to a number of policy statements and action plans. Together these provide the framework for Government's climate change policy⁸.

Indonesia's commitment to climate change action has been increasingly evident since 2007, when the country hosted the UNFCCC 13th Conference of the Parties in Bali and published its *National Action Plan Addressing Climate Change* in December 2007. The "*National Action Plan*" proposed actions in three key areas: mitigation or reduction of the scale and growth of Indonesia's GHG emissions, adaptation to the changing physical and economic environment of sectors most affected by climate change, and institutional development or capacity building to strengthen Indonesia's resilience to the effects of climate change.

⁸ For further details on the evolution of Indonesia's climate change policies, see Pumomo (2013).

In 2008, the Government formed the National Council on Climate Change (NCCC/DNPI)⁹ as a focal point for climate change policy formulation, coordination and implementation, and published its *Development Planning Response to Climate Change*, a key practical step in mainstreaming action to manage climate change into the planning and budgeting process. Aiming to fuel this initiative, the CCPL formally started in 2008, after the discussions initiated by JICA in 2007.

In 2009, the Government solidified its technical understanding of climate change issues and impacts and took steps to facilitate climate financing with establishment of an Indonesian Climate Change Trust Fund. Despite the financial crisis and national elections in 2009, Indonesia consolidated its technical and policy actions toward a robust response to climate change, both domestically and globally.

In September 2009, the President took the ground-breaking step of announcing mitigation commitments at the G20 of a reduction in GHG emissions from the 'Business as Usual' (BAU) level of 26% by 2020, and 41% with international support (also relative to the BaU scenario for 2020). This bold initiative stimulated other developing countries to make commitments in advance of COP 15 at Copenhagen in December 2009. The Government also at the G20 pledged to phase out subsidies for fossil fuels.

In November 2009, prior to COP 15, the Government under the auspices of the Ministry of Environment produced its *Second National Communication* (SNC) to present information on emissions of greenhouse gases (GHGs) and their reduction, and details of the steps taken to implement the UN Framework Convention for Climate Change (UNFCCC) and to address issues to be raised at COP15 at Copenhagen in December.

Indonesia's commitment to a strategic, multi-year policy and investment programme for low-carbon growth was outlined by Bappenas in December 2009 in the *Indonesia Climate Change Sectoral Roadmap* (ICCSR), submitted to the UNFCCC at the end of January 2010 when Government reaffirmed its official commitment to the previously announced emissions reductions in fulfilment of the Copenhagen Accord (18th December 2009).

The Government has increasingly integrated climate change concerns into national development plans, notably the *Medium Term Development Plan (MDTP) 2010-2014*, and annual *National Development Priorities* since 2010, also drafted by Bappenas. The MDTP includes Environment and Disaster Management as one of the national priorities, with four

⁹ Presidential Regulation No.46/2008 stipulated DNPI tasks as a) formulation of national policies, strategies, programmes and activities on climate change control; b) coordination of activities in the implementation of control tasks that include climate change adaptation activities, mitigation, technology transfer and financing; c) formulation of a mechanism for setting policies and procedures for carbon trading; d) monitoring and evaluation of policy implementation on climate change control; and e) strengthening Indonesia's position to encourage developed countries to take more responsibility in controlling climate change. Eight working groups cover Adaptation; Mitigation; Technology Transfer; Funding; Post-2012; Forestry and Land Use Change; Basic Sciences and Greenhouse Gas Inventory; and Marine. The Adaptation Working Group has a priority focus on agricultural adaptation, disaster risk reduction, climate change information dissemination, development of an integrated development plan on climate change, strengthening the infrastructure plan and design to the impact of extreme weather and climate change.

components: Climate Change, Environment Damage and Pollution Control, Early Warning Systems and Capacity Enhancement for Disaster Mitigation.

The reduction commitment was reinforced by Presidential Regulation No.61 of 2011 approving the *National Action Plan for Greenhouse Gas Emission Reduction (RAN-GRK)*¹⁰ covering 2010 to 2020, also developed by Bappenas, and by Presidential Regulation No.71 of 2011 on establishing a GHG inventory and monitoring, reporting and verification (MRV) mechanism. Later in 2012, these national reductions targets were developed into Local Mitigation Action Plans (RAD-GRK), covering mitigation activities at provincial level. A National Action Plan for Adaptation (RAN-API) is currently under elaboration.

Mitigation

Based on and through these various studies and agreements, the Government has adopted a strategy to mitigate emissions, and realise the ambitious GHG emissions reduction targets committed to in 2009, and introduce strategies to adapt key economic sectors to manage the impact of climate change on sector development opportunities. At the same time, the objective was to raise awareness of climate change issues as they are expected to impact Indonesia and for these to be reflected across all Government national and sectoral policies, particularly where they are associated with poverty reduction and economic growth.

The GOI's priorities for mitigation are first, in forestry, land use change and peat lands; and second, in fossil fuel use in the power generation, manufacturing and transport sectors. In both cases, high and fast growing emissions can be attributed to upstream policy conditions and governance issues that need to be addressed as part of a shift toward a lower emissions development path. The GoI's adaptation priorities include water management, agricultural production and preparedness to improve disaster response and resilience. Here too, improving policies and governance frameworks will be an important step toward more resilient water management approaches and agricultural practices. The institutional setting for addressing climate change at the national level is a challenge of coordination across multiple sectors. The climate change policy designed around the key mitigation and adaptation policy areas and specific target actions that the GOI has prioritized in its response to climate change.

As a follow-up to the Government's commitment to a significant reduction in GHG emissions, the *National Action Plan for Greenhouse Gas Emission Reduction (RAN-GRK)* was drafted and approved through Presidential Regulation No.61 in 2011.

To achieve the emissions reduction target, the Government identified four sectors expected to contribute, largely because these are the major source of emissions: forestry; peat land management; energy and transport; and waste management. The most significant proportion of emissions (over 60%) come from land use change and deforestation, but these are not expected to increase substantially. The energy sector, however, contributing only around 20% of emissions in 2005, is seen as potentially the major source of expansion of emissions as the demand for energy is fuelled by the country's strong growth and recovery from the global

¹⁰ Also known as the National Mitigation Action Plan.

recession. This has already been observed with the growth of emissions from fossil fuel combustion increasing by over 2.6 times between 1990 (142.2 MtCO₂) and 2009 (376.3 MtCO₂).

With respect to the commitment of a 26% cut in emissions in 2020 (relative to the BaU scenario), equivalent to around 767 megatonne CO₂e (Table 1-2), the Government anticipates nearly 88% (or 672 megatonne CO₂e) to derive from forestry and peat land management developments, about 6% (48 megatonne CO₂e) from improvements in waste management, and about 5% (38 megatonne CO₂e) from reduced emissions by the energy and transportation sector¹¹.

Table 1-2: RAN-GRK - Planned Emission Reductions for Five Sectors by 2020 (relative to the BaU scenario)

Sector	Reduction target (Gton CO ₂ e)	
	26%	41%
Forestry and Peatland	0.672	1.039
Agriculture	0.008	0.011
Energy and Transportation	0.038	0.056
Industry	0.001	0.005
Waste	0.048	0.078
Total	0.767	1.189

Source: Presidential Regulation No.61 of 2011

If the 41% target (2020 relative to the BaU scenario) is to be achieved, a total emission reduction of almost 1.2 gigatonne CO₂e would be required, and the National Action Plan suggests this would be achieved through a 1.039 gigatonne reduction in emissions from forestry and peatland management (again 87% of the total reduction), 78 megatonne CO₂e through better waste management (just under 7%) and 56 megatonne CO₂e (about 5%) through energy and transportation sector savings.

National Development Planning Agency, Bappenas, has estimated the fund required to implement the action plans for the achievement of these targets (Table 1-3). A total of IDR 226 trillion (approximately US\$ 22.6bn) for core activities and IDR 18.5 trillion (US\$ 1.9bn) for supporting activities is estimated. Of this, the major portion (42% or IDR 95 trillion) would be for savings in energy and transportation CO₂e, equivalent to IDR 1725/megatonne of CO₂e emissions reduced. Forestry and peat land emission reductions are estimated to cost IDR only IDR46/megatonne of CO₂e emissions reduced, a total of IDR 48 trillion or 21% of the total estimated cost for 87% of the total targeted emissions reduction. For the implementation of the action plan in energy and transport sector, estimated fund needed was set to around IDR 100 trillion.

¹¹ An alternative scenario sees the expansion (almost doubling) of coal fired power generation to meet expanding electricity demand as a result of the significant cost savings from the use of coal and the continued dependence on subsidised tariffs and therefore fiscal financing.

Table 1-3: Indicative Funding for RAN-GRK (2010 – 2020)

Sector	Core Activities (Billion IDR)	Supporting Activities (Billion IDR)
Forestry and Peatland	48,357.89	2,286.10
Energy and Transportation	94,654.18	6,955.54
Agriculture	36,804.07	882.1
Industry	1,000.00	1,290.00
Waste	44,709.33	4,949.52
Other supporting sectors	-	2,129.26
TOTAL	225,525.47	18,492.52

Source: Bappenas, 2012

Forestry and Land Use

Rapid deforestation, illegal logging, forest fires, and peat-land degradation cause emissions, deplete Indonesia's natural assets, undermine revenue generation potential, and undermine community livelihoods. Indonesia emits significant amounts of greenhouse gases (GHGs), mostly from forest loss and land-use change. Deforestation and fires/haze reduce Indonesia's development potential and undermine its international reputation. Most deforestation and fire losses occur in just 10 provinces (78 per cent of dry forest loss and 96 per cent of swamp forest loss). Riau, Central Kalimantan and South Sumatra alone account for over half of all forest degradation and loss. While efforts to measure emissions more precisely continue, there is a broad consensus within the GoI that forestry and land-use are key targets for mitigation.

Forestry and land-use governance issues are complex and challenging, but reasonably well understood. Key issues contributing to deforestation are: (i) weak legal and political accountability; (ii) policies favouring large-scale commercial activity over small- and medium-sized businesses; (iii) distorted incentives for timber pricing and transport; (iv) an inadequate legal framework for protecting the poor and indigenous land-users; (v) undervaluation of forest assets and low revenue capture; and (vi) corruption. These underlying issues lead to more proximate causes that give rise to visible impacts on the landscape, as well as GHG emissions and societal losses. Any scheme to change practices or reduce deforestation needs to be understood in this wider context of upstream institutional, governance, and incentive issues that cause downstream outcomes on forest and peat land. Progress on forest governance is essential for performance on a national REDD programme.

Energy

Indonesia's energy use is growing rapidly; GHG emissions are growing even more rapidly. Per capita fossil fuel GHG emissions are still low compared with other middle-income countries. Focusing on fossil fuel emissions sources only, oil use contributes the largest share, currently, but coal contributes the most to high emissions growth. Emissions growth

over the past decade has been mainly driven by the increasing use of coal in power generation. The manufacturing sector is also a large fossil fuel user and an important source of emissions, partly due to inefficient energy use and weak environmental controls. Inefficient energy use also undermines competitiveness. Transportation is also a major emitter, due to the rapidly growing number of vehicles, poor fuel quality, and a lack of investment in mass transport systems. These sources of emissions could be reduced through a combination of policy changes and increased investment, for example, in renewable energy or energy efficiency improvements.

Energy and pricing and policy are an element of Indonesia's reform agenda, including most recently through its commitment to phase out energy subsidies over the medium term (G-20 Pittsburg, September 2009). At present, marginal changes in world prices are budget neutral, but long-term fixed fuel and electricity prices and the subsidies they create represent a threat to fiscal sustainability. The subsidies also have opportunity costs in terms of development spending, regressive distribution of benefits, and disincentives for efficiency. The Government plan to move to market prices is evolving, but the last few years shed some light on the step wise approach being employed. Generally, the Government argues that it is necessary to move from untargeted subsidies to stronger, more focused social assistance programmes. The cash transfers introduced in 2005 and used again in 2008, are an example, but other poverty and social programmes can be included. The GOI is also trying to influence regional governments, which had opposed increasing fuel prices. In the 2009 budget, regions were forced to share the cost of the subsidy with the central government, thus reducing the impact on the central budget and shifting incentives. When budget pressures have mounted rapidly, the Government has raised prices (sometimes dramatically) to maintain stability. However, the preferred approach is more evolutionary with different measures adopted at different times. The current priority is electricity prices which are slated to begin gradually increasing starting in 2010. Plans are being developed to eliminate or phase out subsidies¹² for gasoline based on location or age of car.

Adaptation to Climate Change

Indonesia recognizes the adaptation challenge, though more study and concrete implementation will be needed. The GOI has charted the following roadmap for the adaptation efforts: establish maps of local vulnerability and adaptation information system by 2015; ensure climate-proof policy and regulations by 2020; pursue an adaptation-shaped development programme; and pursue adaptation-proof development. A National Action Plan for Adaptation (RAN-API) is currently under elaboration.

With community participation over the coming years, investment in adaptation will be prioritized in: (a) the water sector to ensure the people can respond properly in the case of water shortage, drought and flood; (b) the marine and fisheries sector to prepare people to deal with coastal land inundation, extreme weather situation, and change in fishery productivity and zonation as results of the sea temperature change; (c) the agriculture sector to deal with the changing climate and the ensuing planting seasons/harvest and its consequences

¹² Subsidies for fuel were reduced in July 2013.

on the productivity of food and plantation crops; and (d) the health sector in anticipation of increasing vectors of infectious diseases like malaria and dengue as well as the increasing risks of respiratory and gastrointestinal diseases. In the longer term, Indonesia also has opportunities to scale up preparation for ecosystem-based adaptation to build resilience to climate change impacts and preparing communities to cope with it. Rebuilding of mangrove ecosystem in the coastal areas, rehabilitation of degraded peat land forests are among examples of ecosystem-based adaptation that will increase ecosystem resilience and help protect community livelihoods.

Food security will be threatened by climate change. Climate change will alter precipitation, evaporation, run-off water and soil moisture; hence will have effects on agricultural production, especially rice, and thus food security. The droughts caused by the 1997 El Niño¹³ event affected 426,000 hectares of rice. The loss of production (measured as the percentage deviation from a five year moving average) in eight El Niño years between 1965 and 1997 averaged 4 per cent. For particular regions, the loss may be higher: East Java/Bali, an area with a very short monsoon, it is predicted to be 18 per cent for the January-April harvest (Naylor et al., 2007). Important income-generating non-food crops such as coffee, cocoa and rubber were also affected (FAO, 1996). There is a wide range of uncertainty in these figures, as carbon dioxide concentrations will also change.

Rainfall variability will negatively affect water resources. Decreases and increases in rainfall will adversely affect hydroelectricity generation and drinking water supply, both of which depend on steady supply from water reservoirs. On the other hand, heavy rainfall with associated turbidity will damage water processing facilities, contaminate the water supply and increase the costs of water treatment (GoI, 2007). Changing precipitation will also affect the probability of land and forest fires. In El Niño years, the total area of land and forest affected by fire and the level of GHG emissions increased significantly. These fires destroy habitats, pollute watersheds, reduce biological diversity, and increase air pollution, with consequent health effects.

Sea level rise will threaten productive coastal zones and affect livelihoods. Climate change will raise average sea level due to increased volume of the sea water and the melting of polar ice caps. This means low lying coastal areas will be affected, not just by rising seas, but by higher tides and storm events. Also, in low lying rural districts rice and maize production could decline by 50 to 90 per cent. The estimated reduction of yield would result in financial losses to rice, soybean and maize farmers. Sea level rise would also be likely to affect fish and prawn production in the coastal zone and ponds. Climate changes that affect water supply, agriculture, livelihood options and disease processes can also have unequal gender impacts, an area that needs more study.

¹³ There is no proven evidence yet that intense and more frequent El Niño and La Nina events are caused by or are causing climate change. But these events can be a good proxy for looking at the damage that could occur due to climate change.

In total 41.6 million Indonesians live within ten meters above the average sea level. They are the most vulnerable to sea level changes (CIESIN, 2007). Coastal cities such Jakarta, Semarang, and Surabaya are areas of great concern because of the high population densities.

The warming of ocean water will affect marine biodiversity. Indonesia's oceans could increase in temperature in the range of 0.2 to 2.5 degrees Celsius. The 50,000 km² of coral reefs in Indonesia, about 18 per cent of the world's total, are already in dire straits. The El Niño event in 1997 – 1998 was estimated to have caused coral bleaching to 16 per cent of the world's coral reef. In a 2000 survey, only 6 per cent of Indonesia's coral reefs were in excellent condition, 24 per cent in good condition, and the remaining 70 per cent were in fair to poor condition (John Hopkins University and Terangi, 2003).

Climate change will intensify water- and vector- borne diseases. In the late 1990s, El Niño and La Nina were associated with outbreaks of malaria, dengue and plague. Malaria has spread to high elevations where it was detected for the first time at 2103 m in the highlands of Papua province in 1997 (Epstein, et al., 1998). Dengue fever has been spreading faster and killing more victims than in past years, especially during La Nina years (GoI, 2007). The links between climate change and these diseases and health problems is poorly researched. The IPCC's Fourth Assessment Report (2007) stated that there is too little data to reliably confirm perceptions of an increase in extreme weather events, which may be due to increased reporting. However, concern about this issue in Indonesia continues to rise.

Economic impacts of climate change will be high in Indonesia. Without considering non-market impact and catastrophic risks, mean GDP loss is projected to reach 2.5 per cent by 2100. This is over four times the global mean GDP loss of 0.6 per cent because Indonesia has a long coastline, high population density in coastal areas, high dependence on agriculture and natural resources, relatively low adaptive capacity, and a tropical climate (ADB, 2009). With no further mitigation or adaptation measures, mean GDP losses from market and non-market impacts could reach 6.0 per cent by 2100. If the chance of catastrophic events is also considered, they could go as high as 7.0 per cent of GDP.

The benefits of adaptation far outweigh the costs. For Indonesia, the cost of adaptation for agriculture and coastal zones (mainly the construction of seawalls and the development of drought- and heat-resistant crops) would be about \$5 billion per year by 2020 on average. The annual benefit of avoided damage from climate change for Indonesia is likely to exceed the annual cost by 2050. By 2100, the benefit could reach 1.6 per cent of GDP, compared to the cost at 0.12 per cent of GDP (ADB, 2009).

Financing

Countries like Indonesia ("Non-Annex I countries") committed themselves not to borrow for CC, arguing that the developed countries are responsible for CC and should bear the burden of mitigation and adaptation.

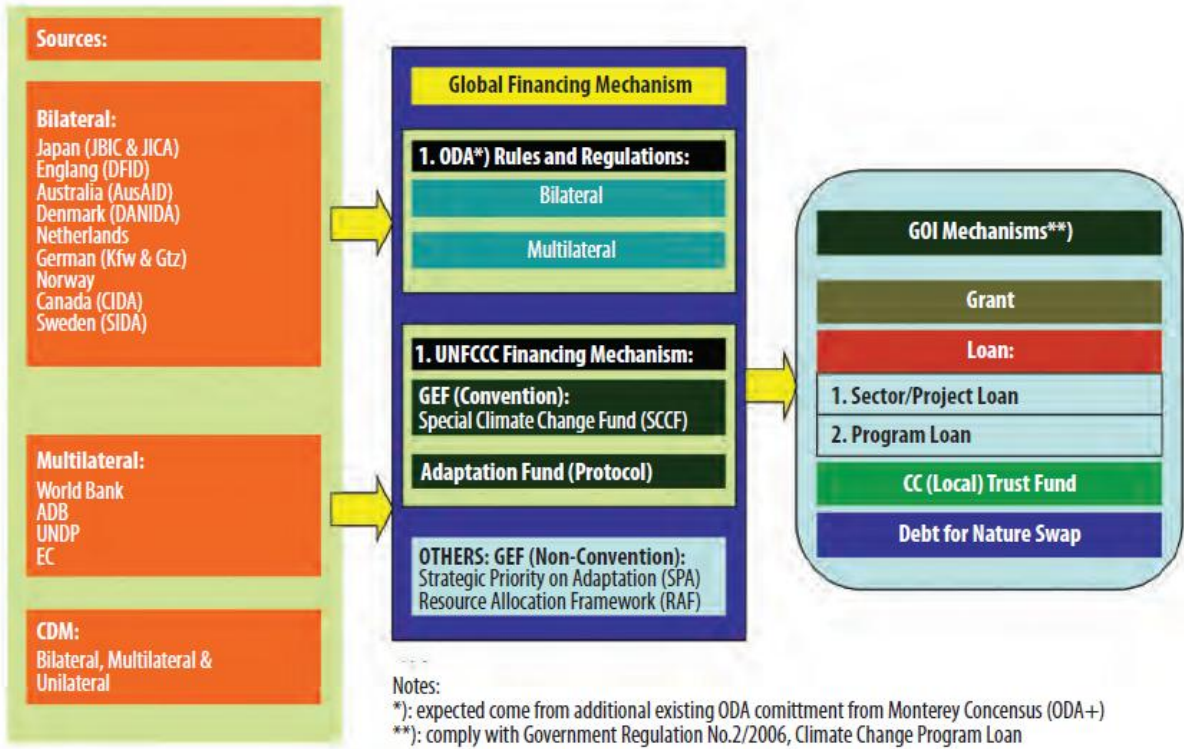
Nevertheless, foreign financing of the CC policies is welcome. For instance, the Indonesian Second National Communication under the UNFCCC lists the expected sources of financing

for the CC policies (p. 186)¹⁴, and states: “Due to limited funding capacity through the national budget, the GOI Indonesia will try to create various funding schemes, from domestic sources as well as from bilateral and multilateral sources to support the national planning effort on climate change mitigation and adaptation. The GOI recognizes several funding mechanisms as important vehicles for climate change”.(Ministry of Environment, 2010, p.186)

However, the same document asserts (p.187):

“The GOI will apply the rule and procedures under UNFCCC and ODA financing mechanism for climate change financing schemes. The GOI prioritizes grant utilization to finance climate change sectoral priorities implementation. Loan resources can only be utilized when grant funding is insufficient. However, utilization of loans should be the last alternative for climate change financing“. The next figure (Figure 1-1) resumes the financing mechanisms for CC policies. **Note however that the figure was made in early 2008, before the official arrival of AFD in the CCPL negotiation, which explains why only JICA appears among the Donors.**

Figure 1-1: Funding of the CC policies in Indonesia (2010)



Source: Ministry of Environment, 2010, p. 186.

1.3. Intervention logic of the CCPL Indonesia

What is the CCPL Indonesia?

¹⁴ Available at: http://unfccc.int/files/national_reports/non-annex_i_natcom/submitted_natcom/application/pdf/indonesia_snc.pdf

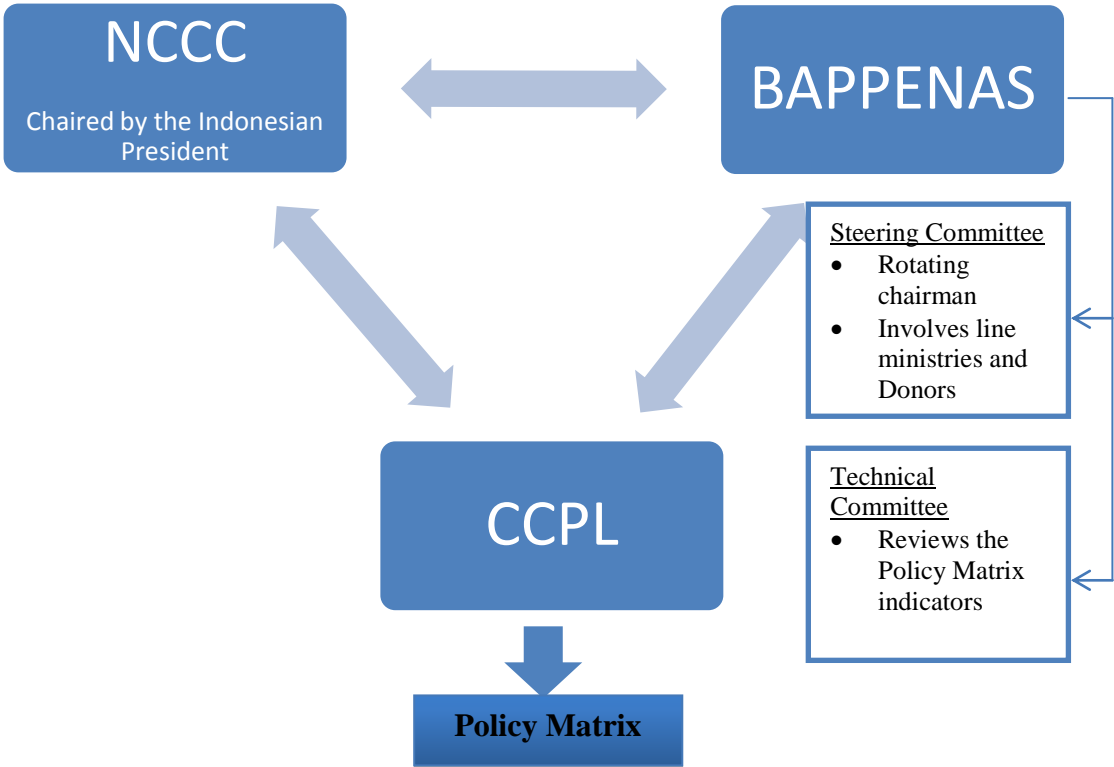
According to our definition, a CCPL is a loan whose purpose is to support the fight against climate change. This type of loans was granted to States in the form of general budget support (GBS). The intervention principles under which it falls are the following:

- Non-targeted budget support, with no criterion for allocation of funds and no conditional disbursement, but successive commitments conditioned on the assessment of effective implementation of the Policy Matrix.
- Support to the inter-ministerial coordination with a focus on the importance of high-level policy dialogue and of a national coordination device, aiming at being fully integrated into the decision-making and budgetary process of ministries.
- Global monitoring and evaluation systems, along with technical assistance. The TA is under a separate funding process (financed on grant).

The first CCPL was Indonesia Climate Change Programme Loan (ICCPL) phase I, a three-year programme (2007-2009). It was supported both by JICA and AFD, to address Indonesia’s climate change mitigation, adaptation and cross-sectoral issues, by monitoring and supporting climate change policy reform of the Government of Indonesia (GOI) and thereby reduce risks arising from climate change.

The financial loan amounted to 1.9 billion US\$ over the three years (see the section on inputs in the Chapter 3 for more details). The financial conditions of the loan are specific to each Donor’s mandate in Indonesia. For instance, in the case of AFD, it is a sovereign loan with a subsidy rate of 7%. The JICA loan is an ODA term loan with more than 25\% grant element.

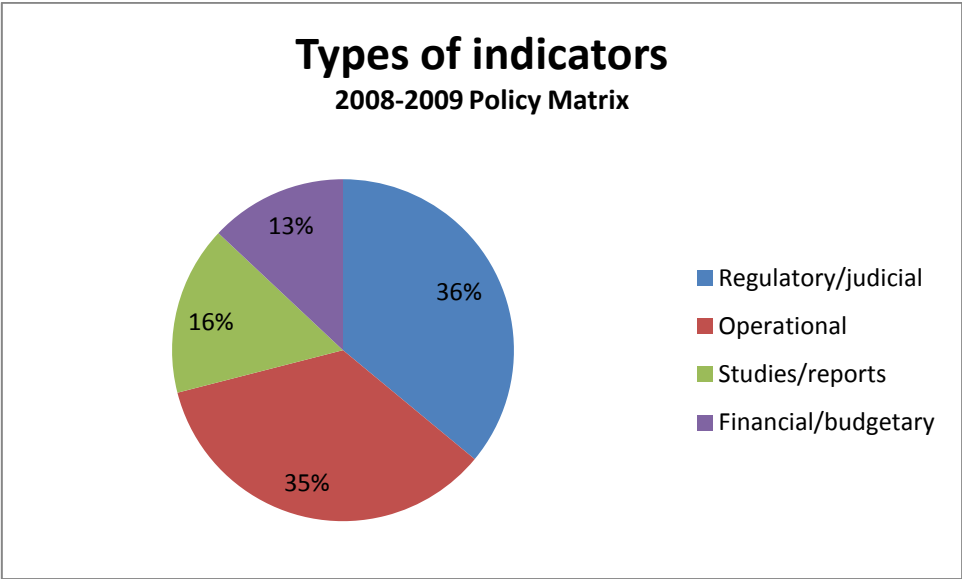
Figure 1-2. The institutional steering of the Indonesian national plan for climate change



From an operational point of view, the Indonesia CCPL revolves around a Policy Matrix, as shown by the Figure 1-2. The National Council for Climate Change (NCCC) and the institutions under the BAPPENAS defined the orientation of the national plan to fight climate change. The ICCPL is part of this national plan and it becomes operational through the Policy Matrix.

The Policy Matrix evolved throughout the three years lap as a result of discussions between the GoI and the Donors. This evolution consisted in a reduction in the number of indicators (from 52 to 28 between 2008 and 2009, for instance), but also in a transition from quantitative indicators to more qualitative ones. Indeed, quantitative indicators seem to be less relevant due to significant methodological and measuring problems, especially when they deal with sectorial GHG emissions. If we were to class the indicators according to four categories (regulatory/judicial/legal¹⁵, operational indicators, studies/reports/knowledge management and financial indicators), we see that regulatory or judicial indicators and operational indicators prevail (see for instance the indicators from the 2008-2009 Policy Matrix represented in Figure 1-3).

Figure 1-3. Distribution by type of indicators

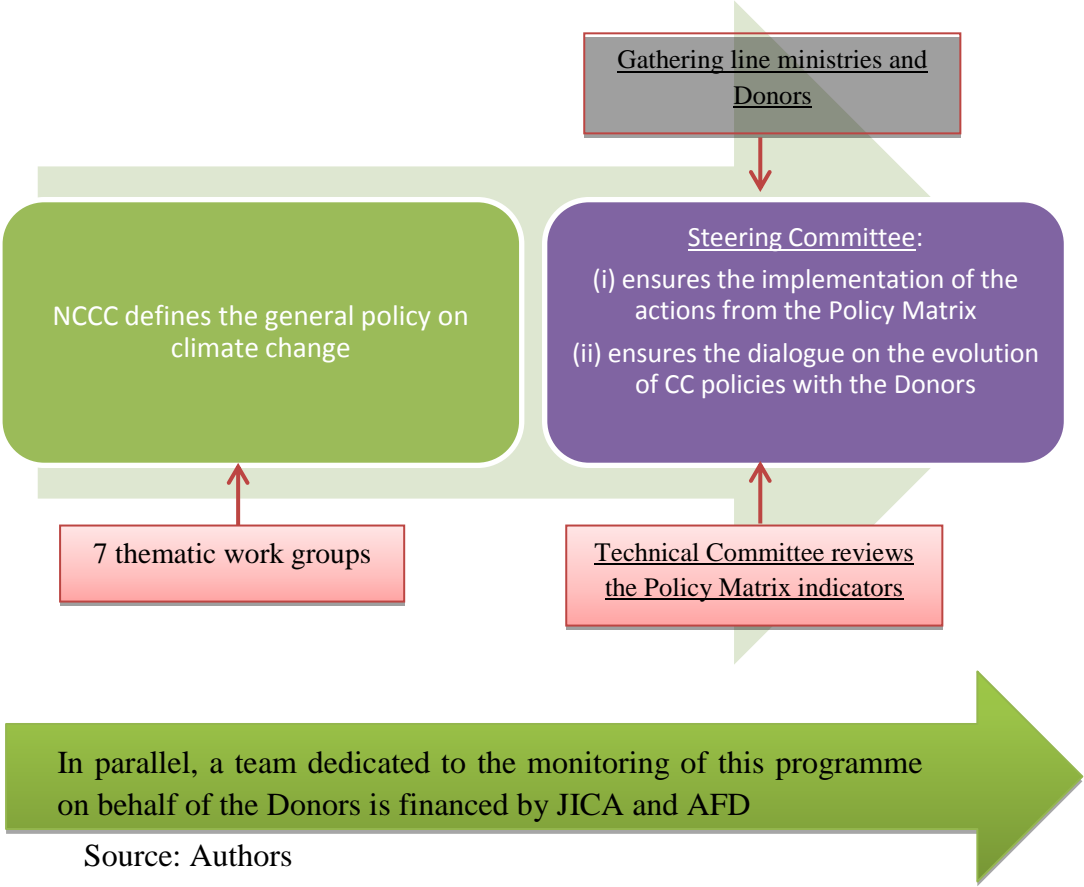


Source: Authors

The ICCPL’s steering mechanism follows roughly the same lines as that of the national plan for climate change, but with a higher involvement from the Donors. Figure 1-4 illustrates the processes and mandates at stake, which will be developed later in the report (Section 3.2.2).

¹⁵ Laws, decrees etc.

Figure 1-4. The institutional steering of the Indonesian CCPL



Logic of intervention of the CCPL Indonesia

According to previous JICA evaluation documents, the expected roles of BS at the time of its inception could be described as (1) the pushing effect (speeding the process and mainstreaming the CC policy); (2) the symbolizing effect (of the commitment of the GoI to CC); and (3) the coordination effect (of domestic and foreign actors), which have been created out of BS processes of policy dialogue, donor coordination and grouped institutional frameworks such as the organization of collaborative taskforces. This general approach could be qualified by referring to the logical framework in order to trace the chain of influence that was considered at the beginning. Nevertheless, i) some causal links might have been overstated or forgotten and ii) some unexpected results may have occurred, positive or negative. More specifically, the policy matrix and the changes in the policy matrix would be useful to trace the objectives and the causality links. The assessment will be limited to the results that were considered as objectives of the ICCPL. The ICCPL is a support to the mainstreaming of the CC policy of the Government (reflected in the cross-cutting issues), but focused on specific sub-sectors of the policy.

Finally, we would like to highlight that the other determinants of the ICCPL, namely those from the supply side (specific diplomatic, strategic and economic interests of Donors) will be left aside from this assessment, which will focus on how the Donors supported the Indonesian CC policies.

As far as the intervention logic is concerned, the donors involved in the ICCPL use different terminology to describe different stages in ICCPL development and implementation. For JICA, 2007 to 2009 is considered as Phase I and 2010 to 2012 as Phase 2. The initial matrix, agreed in late 2008, showed a baseline year of 2007 and two development years of 2008 and 2009. When updated in 2009, the matrix still only covered this period. With the inclusion of the World Bank in 2010, the matrix covered 2010 to 2012 and this was viewed as Phase 2. The matrix developed for 2011 covered only the remaining Phase 2 period of 2011 and 2012, and although agreed through the Steering Committee, was never incorporated into a finalised financing agreement. During the evaluation, JICA continued the monitoring of the programme, with the ICCPL monitoring team assessing progress and compliance with respect to steps in the policy matrix for 2011.

While AFD was also concerned with the nature of possible future climate change related interventions, the Phase 1/Phase 2 terminology used by JICA was noticeably lacking and the duration of the ICCPL was expressed as 2008 to 2010, the years of disbursement.

Part of the rationale for the ICCPL also lay in providing additional budget revenues to Government to broaden its fiscal space and meet demands for an increasing deficit, particularly in light of the decision to support fiscal stimulus to offset the effects of the global recession that followed the financial crisis of 2007.

Although the elaboration of coverage appears to have occurred progressively through the years of the ICCPL, JICA considers that greater support to upstream strategies and the better understanding and planning of climate change policies, particularly in relation to specific sectors relevant to mitigation and adaptation, was added from 2010 (viewed by JICA as Phase II - see below). Setting more priorities in cross-sectoral/key policy issues was also seen by JICA as a critical change from Phase I to II.

Chapter 2 ICCPL assessment: methodological issues

This assessment of the Indonesian CCPL is based on the OECD DAC methodology. This framework is described in a 2012 document entitled “Evaluating budget support, methodological approach” (EBS in the remaining of this document)¹⁶. The approach is based on a Comprehensive Evaluation Framework (CEF) and a Three Step Approach (EBS, p. 3):

- the *Comprehensive Evaluation Framework (CEF)* which sets out the hypothesized sequence of effects of budget support programs across five analytical levels (budget support inputs, direct outputs, induced outputs, outcomes and impact) included in – and interacting with – the overall national context within which budget support is provided, and;
- the *Three Step Approach*, whereby: i) Step One encompasses the assessment of the inputs, direct outputs and induced outputs of budget support (levels 1, 2 and 3 of the CEF) including the analysis of the causal relations between these three levels ; ii) Step Two encompasses the assessment of the outcomes and impact of the government’s policies, strategies and spending actions, which donors supported and promoted with budget support, and identification of the main determining factors of those outcomes and impact (levels 4 and 5 of the CEF), through policy impact evaluation techniques; and iii) Step Three entails an exploration of the contribution of budget support to the government’s policies, strategies and spending actions, which have produced the outcomes and impact identified in Step Two, to be carried out by combining and comparing the results of Steps One and Two.

The first level of the CEF is represented by the **budget support inputs** consisting in the financial contribution, the technical assistance provided and the political dialogue. The second level consists of the **direct outputs** of budget support which are mainly the improvements in the relationships between external assistance and the national budget and policy processes. Furthermore, the third level of the CEF is the **induced outputs** such as the expected positive changes in the quality of public policies, the strength of public sector institutions, the quality of public spending (increased allocative and operational efficiency), and consequent improvements in public service delivery. The fourth level comprises the **results** of the budget support programme, which are the envisaged positive effects at the level of final beneficiaries – service users and economic actors – due to improved government policy management and service delivery. Finally, the last level consists of the **impact** of the budget support which should be the envisaged positive effects on the issues and priorities specified in the program.

¹⁶ Available at

http://www.oecd.org/dac/evaluation/dcdndep/Methodological%20approach%20BS%20evaluations%20Sept%202012%20_with%20cover%20Thi.pdf

However, to our knowledge, this general framework has been mainly used for assessing General Budget Support (GBS) for poverty reduction in the case of Low Income Countries (LICs). Appendix 1 provides some general reflexions about the differences between assessing CCPLs granted to Middle Income Countries (MICs) and “Standard” GBS granted to LICs for poverty alleviation (hence SGBS). This chapter draws on these reflexions to build an evaluation framework appropriate to the Indonesian CCPL.

The main points which will be taken into consideration in this report are:

- 1) A major difference between SGBS and CCPL that has an impact on the evaluation methodology is the access of MICs to the international financial markets. LICs are excluded from those markets and have to borrow from public organisations or rely on grants.
 - a) For this reason, the *counterfactual is difficult to specify* in the case of MICs, because the GoI could have borrowed the money provided by the ICCPL directly from the market. If the GoI is strongly committed to CC mitigation/adaptation, it could have implemented the same policies without the money provided by the ICCPL. This is however debatable, because the GoI may not be willing to put debt sustainability at risk by increasing public expenditure, even if CC is given high priority.
 - b) For this reason also, the “inputs” of the ICCPL are difficult to specify. In the standard case, money is likely to be the main input. Moreover, in the standard case, the budget support is aimed at improving a service which is mainly an activity of the public administration (education, health). This is only partially true for CC mitigation / adaptation.
 - c) However, MICs may have temporary difficulties to borrow from the financial market, or would access the market with high interest rates. Providing them with concessional loans or even loans close to the market rate of developed countries is an advantage (an “input” of the ICCPL)
- 2) Another difference is the assessment of the “quality” of the policy that is supported. The CCPL is aimed at supporting the GoI’s CC policy. The question is: when do Donors consider that this policy can be considered as “relevant”? In the case of a SGBS, the main criterion is the existence of a Poverty Alleviation Strategy endorsed by the IDA and IMF. No such device exists in the case of ICCPL, so Donors have to justify on a case by case basis why they consider that the policy is relevant (as the AFD puts it: “acceptable”). Most targets are set against a “business as usual” scenario (BaU), so the way this scenario has been build is of paramount importance. In order to overcome these difficulties, the service in charge of the definition and the monitoring of AFD climate change operational strategy made an attempt to draw a sketch of what could be considered as an “acceptable” policy (see Box A1-1 in the Appendix 1). The JICA approach is different. To our knowledge no ex-ante criteria are set to specify what an “eligible” CC policy could be. Instead, JICA discussed with Government of Indonesia (GOI) according to Japanese government principles, in order to identify a set of climate change policies to be implemented by the GOI, resulting in a common

policy matrix. Those principles are presented in policy statements like the “Cool Earth Partnership” (2008), putting an emphasis on reducing greenhouse gas (GHG) emissions with efforts such as enhancing energy efficiency. The “Hatoyama Initiative” (named after the Prime Minister) puts an emphasis on innovative mechanisms and on promoting the transfer of low-carbon technologies.

- 3) The absence of explicit triggers¹⁷ in the case of the ICCPL makes evaluation harder, because in SGBS one can expect stakeholders to focus on the triggers. Moreover, the triggers are usually used as a device for the MoF of the recipient country to put pressure on line ministries. In this case the effort to reach the benchmark used as a trigger may be used to demonstrate a link between inputs and output.
- 4) The ICCPL (at least for AFD) consists in a series of three annual loans, backed to Multi-year TA program. This is a difference with SGBS, which is usually a Multi-year program. The standard OECD assessment framework does not take into account this evolving and incremental pattern of the ICCPL support. In the case of a SGBS, the program is usually set from the beginning.
- 5) Macroeconomic and Public Finance Management (PFM) improvements are usually considered as crucial for sustainable growth and poverty alleviation which is not the case in the ICCPL – even if a ICCPL may also have some macroeconomic impacts
- 6) Finally, the evaluation of the ICCPL is difficult because the ownership of the GoI is high, meaning that the influence of external pressure through the inputs of the ICCPL is hardly mentioned (or may even be denied) and difficult to trace.

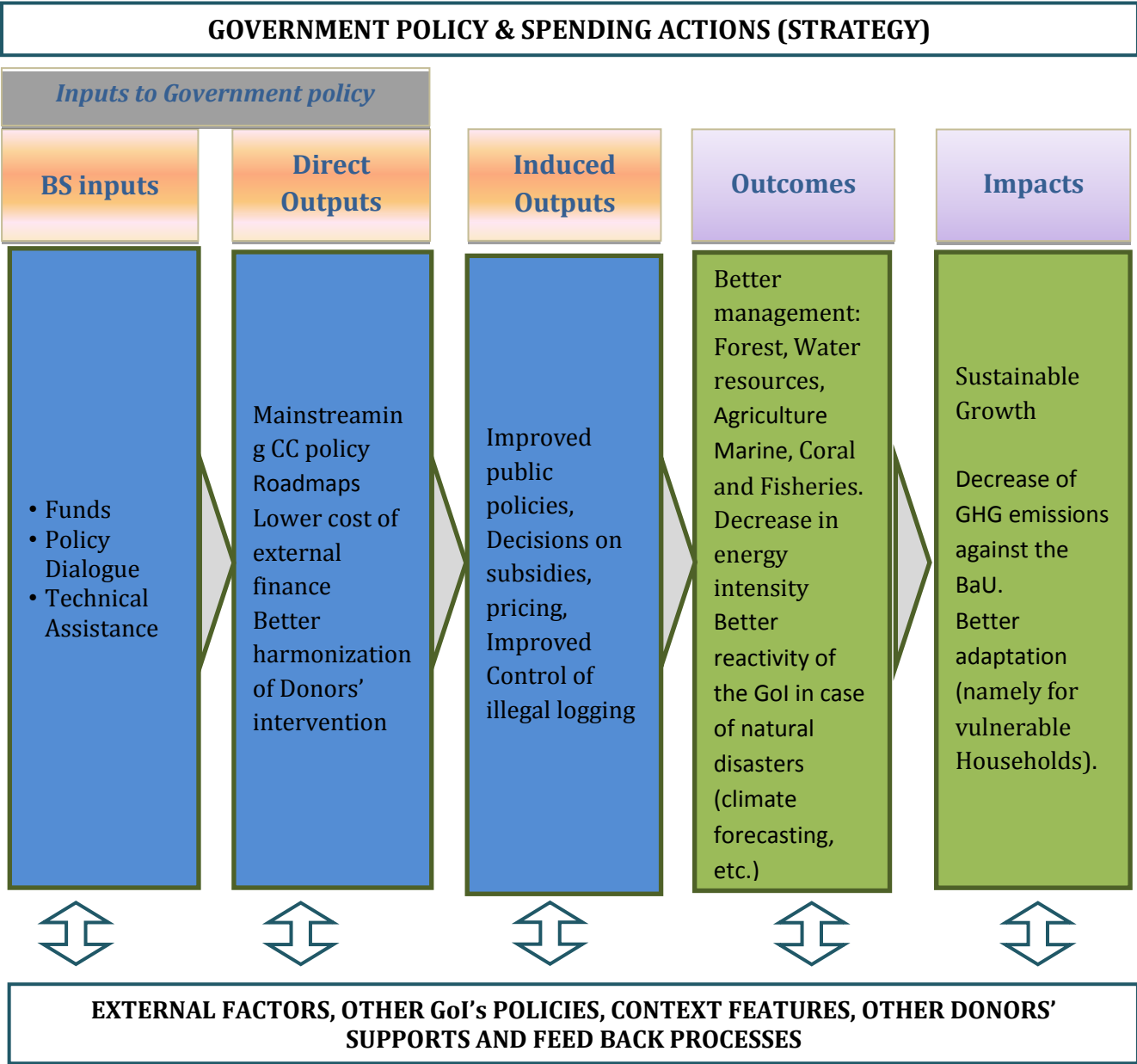
The comprehensive Evaluation Framework

Because of these differences, the CEF has to be modified for a CCPL. The figure next page (Figure 2-1 エラー! 参照元が見つかりません。) presents an adaptation of the standard CEF to the specific case of the Indonesian CCPL. This CEF is theoretical: it is a mere adaptation of the standard CEF to the case of CC, taking into consideration the whole influence chain, from BS inputs to impacts (of the GoI’s policies).

The five levels considered earlier are taken into account in this figure. The arrows figure out the expected influence of inputs on outputs, results and impacts. The bottom line shows that the impacts do not depend solely upon the inputs provided by the budget support, but also by other circumstances like other government policies, other interventions by Donors, or the general environment.

¹⁷ By trigger we mean a value of an indicator which automatically stops the disbursements when the observed value is over/under this threshold.

Figure 2-1. CEF adapted to the Indonesian CCPL



Source: Authors

The standard approach of BS evaluation would take into account the five levels of analysis. The levels 1 to 3 describe the relationships between Donors and the GoI. The levels 4 and 5 describe the outcomes and impacts of the policies of the GoI that are supported by the ICCPL. It is difficult in the case of the ICCPL to consider levels 4 and 5, because they are not included in the ICCPL as such (even if some outcomes are taken into consideration). The ICCPL implicitly assumes that a better design of the policies and a better implementation of these policies will allow reaching the targets of the GoI in terms of impacts.

The differences between CCPL and SGBS do not imply many differences in steps 1 and 2. At this stage, the main departure from standard methodology is to focus on non-financial inputs of the CCBS. In the case of Indonesia, the CCPL was important mainly as a tool for

implementing the policy dialogue, the co-ordination framework and the technical assistance. The monetary input of the ICCPL is not so important per se, as it is in SGBS where it is supposed to contribute to the financing of public expenditure (that would otherwise not have taken place).

As the BS is aimed at supporting a policy of the Government (which would have been undertaken anyway), the outcomes and impacts that are assessed in step 2 are those of the Government's policy. This is reflected in the proposed CEF of the CCBS. Nevertheless, the overarching goal of a CCBS is to have a sustainable impact on GHG emissions and to make sure that the benefiting country, particularly its vulnerable people, increases its resilience to CC. For this reason, for the assessment to be valid, one should be confident that the expected impacts of the CCBS as described in the CEF are unambiguously conducive to those "fundamental" impacts.

In the case of the SGBS, the main links considered in Step 3 are usually financial: one tries to assess to what extent the induced outputs did result in some improvement in the outcomes and impacts. This is really tricky, because of the fungibility of resources. It is never possible to attribute precise results to specific inputs or to the BS, even by using sophisticated techniques.

Evaluation methodology in the case of the Indonesian CCPL

The proposed evaluation methodology adapted from the standard DAC approach is too broad for the Indonesian CCPL assessment. In the adapted standard methodology, level 4 (outcomes) and 5 (impacts) are explicitly taken into account from the beginning in the design of the program and later in the evaluation framework. Step 1 then deals with the link between the Cooperation Partners' support and the inputs, and Step 2 with the evaluation of the public policy as such.

In the case of energy subsidies for instance, the standard methodology (put in a linear way) would amount to:

- 1) Identifying the CPs' inputs in this field (funds, policy dialogue, TA) (Step 1)
- 2) Identifying the CPs' contribution to the policy change (did TA and policy dialogue contribute to the publication of a "roadmap" by the GoI?) (Step 2.1)
- 3) Assuming that a decision has been taken by the GoI (which is the case, but after the completion of the ICCPL), did this decision decrease the consumption of previously subsidized energy sources? Did this decision result in a decrease of the amount of subsidies financed by the budget? (Step 2.2)
- 4) Did this decision result in a decrease of the GHG emissions? (Step 2.3)
- 5) Were the CPs' inputs crucial to achieve these outcomes and impacts (decrease in subsidies, decrease in the consumption of previously subsidized energy sources, decrease in the GHG emissions)? (Step 3)

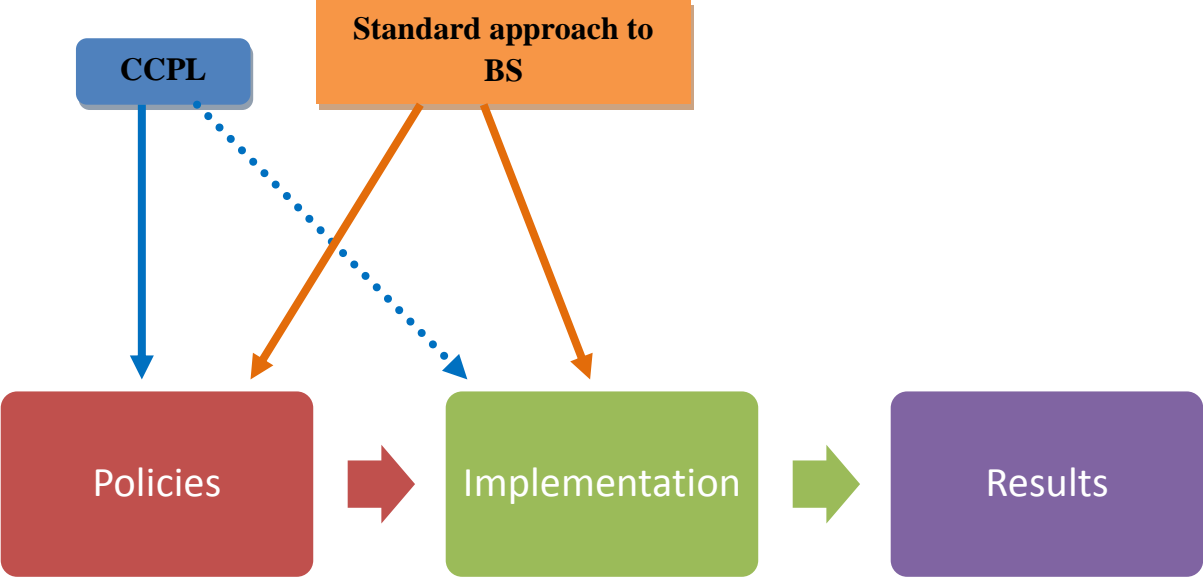
In a typical BS, indicators about outcomes and impacts are provided by the monitoring of the strategy of the government, partially financed by CPs (surveys, information systems, etc.) Some of these indicators are used in the policy matrix as indicators of triggers.

A Standard Global BS aims at supporting not only the government’s policies, but also their implementation, and so contributing to reaching the targeted outcomes and impacts of the policy itself (for instance enrolment rates for the outcomes and poverty reduction for the impact). In the case of the ICCPL, the link with the results is less evident because the ICCPL’s sole objective is to support GoI’s policies and has very little influence on their implementation. It’s only impact on the implementation occurs when it takes the form of policy actions encapsulated in the Policy Matrix. Figure 2-2 illustrates this difference.

This is likely to introduce some confusion in this evaluation since the meaning of “outcomes” and “results” becomes ambiguous. If we consider the Indonesian CCPL, the “outcomes” and “results” are only relative to the **support** to the GoI’s policies as such and **not** to these policies’ results. The traditional CEF approach does not consider such a narrow understanding of a budget support. In this approach, the “outcomes” and “results” are those of the policy supported by the BS (see the standard CEF in Appendix 1).

The CEF that we have adapted for the ICCPL (see above) is an application of the standard framework (where we are interested in the policies’ outcomes and results). In this CEF, the outcomes are for instance a decrease in abnormal practices (like illegal logging due to a better enforcement of the law or a decrease of gas and diesel consumption as a result of the government’s decision to reduce subsidies). The impacts would be for instance an observed decrease in GHG emissions as compared with the BAU scenario.

Figure 2-2. Differentiated objectives for ICCPL and Adapted standard approach to BS



The key objectives of the ICCPL, as they appear in the Donors internal documents, are focused on supporting a wide range of Indonesian efforts to deal with climate change issues. These include some key policy reforms, aiming at reducing GHG emissions and improving adaptation, but do not include the outcomes and impacts of these policies. It is implicitly assumed that good policies, mainstreaming of the CC policy will lead to the expected final outcomes and impacts. The ICCPL as such (namely the policy matrix) does not encompass

indicators related to outcomes and impacts. For this reason (at the opposite of Standard Budget support) little attention is paid to the information systems that would allow assessing developments at levels 4 and 5.

This limitation of the scope of the Indonesian CCPL reflects in our evaluation's ToRs where it is mentioned that "the overall objective of the evaluation is to assess to what extent the ICCPL Phase 1 has successfully given means to the GOI in order to design and implement its climate change strategy, and enhanced the efficiency and effectiveness of its policies, strategies, and spending actions to achieve sustainable outcomes and impacts on climate change development related issues."

Therefore, in this report, we will deal with the evaluation issues accordingly, which amounts on focusing on steps 1 and 2 of the standard methodology.

However, when feasible, some additional insights are provided into what could be called the "final impact" of the GoI's policies, namely in terms of macroeconomics and, to some extent, of mitigation and adaptation.

Evaluation questions

As a consequence of previous section and the aforementioned differences, the standard evaluation questions have to be modified (or qualified) in the case of CCPLs. We propose hereafter a series of evaluation questions based on the framework developed by the OECD DAC Evaluation Network to assess the budget support operations at the country level and adapted for the specific case of a ICCPL.

Step 1 : inputs, direct outputs and induced outputs

Inputs

We will here analyse the various inputs associated with the ICCPL: the budget support loan, the technical assistance (only directly linked to the ICCPL program) and the policy dialogue.

1. What inputs were provided and to what extent do they correspond to the expected ICCPL inputs?
 - **Details:** We will analyse here the various inputs associated with the ICCPL: the budget support loan, the technical assistance (only directly linked to the ICCPL program) and the policy dialogue. The analysis will include the level, conditions, areas and amount of inputs, as well as the background of their implementation.
2. Is the ICCPL consistent with the national policy or strategy for climate change control/mitigation?
 - **Details:** We will assess here the coherence and relevance ex-ante and during the implementation of ICCPL in relation to climate change strategies in Indonesia and in relation to Donors' development strategies. The relevance and interest of the selected sectors will be studied as well.
3. To which extent is the design adapted to the political, economic and institutional country

context?

- **Details:** The question concerns the assessment of the choices made in terms of inputs used and mechanisms for monitoring the management of public finances and reform process agreed in relation to the Indonesian political, economic and institutional context. The assessment will focus on the risk analysis done ex-ante and adaptation of inputs and monitoring mechanisms.

Direct outputs:

The questions are designed to analyse the direct effects of the ICCPL on the overall official development assistance (ODA) in its relationship with government systems.

4. To what extent has ICCPL contributed to increasing the efficiency of external funding submitted to the national budget process and improving the overall predictability of aid flows?

- **Details:** The questions are designed to analyse the direct effects of the ICCPL on the overall official development assistance (ODA) in its relationship with government systems.

5. To what extent has ICCPL contributed to creating a global framework for political dialogue focused on government priorities and strategies related to climate change?

- **Details:** These questions aim at verifying the implementation of a political dialogue process that accompanies the ICCPL and examining whether this process has contributed to the establishment of a general framework of policy dialogue, embracing a majority of relevant stakeholders, including sectoral and decentralized governmental actors. We will also analyse the general framework of dialogue, wondering if it is focused on the GOI's strategies and priorities. The establishment of such a framework is critical to the effectiveness of the ICCPL and the sustainability of its effects, but also reflects the level of efficiency in the implementation of ICCPL.

6. To what extent has ICCPL contributed to the provision of non-financial inputs that were strategic and focused on the GOI's priorities?

- **Details:** We will look into whether the introduction of the ICCPL and the new political dialogue that accompanied allowed to further analyse the needs for the provision of these non-financial inputs, thus becoming more strategic and focused on government priorities.

Indirect outputs:

7. To what extent have the quality of the CC policies and their implementation been improved by the ICCPL?

- **Details:** We will assess the indirect impact that the ICCPL might have had on the policy design and implementations, as well as on the improvement of the policy process.

8. To what extent did the ICCPL contribute to better identifying the public spending on CC policies and what were the consequences for providing climate related public goods?

- **Details:** The question is whether the public spending grew in compliance with the GoI's strategy in terms of CC and what were the consequences in terms of budget allocation

9. To what extent have governance and democratic accountability been strengthened?

- **Details:** We will analyse to what extent the ICCPL created incentives for the strengthening of institutions and improving transparency in public finances.

Step 2: Results and impacts

Results

10. Has the ICCPL induced changes in the macroeconomic environment?

- **Details:** We retrace here the main macroeconomic impacts of the ICCPL and assess their implications for Indonesia.

11. Did the ICCPL inputs contributed to mainstreaming of CC issues?

- **Details:** We analyse the main results of the various ICCPL inputs in terms on CC issues visibility and awareness

12. What were the immediate results of the ICCPL?

- **Details:** The questions will analyse the direct results of the ICCPL through the actions scheduled in the policy matrices

Impacts

13. To what extent were there changes in the way to manage climate change and can they be related to changes in the political or government policy processes, and / or to other external or internal factors?

- **Details:** We will identify the changes that can be linked to the aforementioned results

14. To what extent do we see changes in the involvement of enterprises, local governments and other entities in the CC policies?

- **Details:** We will analyse the change in the behaviour of the other actors that might have been impacted by the ICCPL. We expect this to be somehow deceiving, because many actors that are not directly involved in the ICCPL may not have a clear understanding of the ICCPL process (not all ICCPL documents have been made public). Nevertheless, they may well be aware of public policies that are supported by the ICCPL.

15. To what extent are the processes and the results induced by the ICCPL sustainable?

- **Details:** We will analyse the sustainability of the ICCPL observed outcomes from both an ownership and temporal perspective

Step 3: Linking induced outputs and results

The step 3 will try to link the answers to step 1 and 2. The question that we will address is: “What was the result of the ICCPL? Has there been a change in climate change policies, or on climate change impacts, that can be clearly considered as the product of the ICCPL?”

In addition, we try to answer the following questions:

- i) Was program lending the most appropriate instrument for achieving results in the area of climate change policies?
- ii) Was the level of the ICCPL as a whole appropriate, for achieving the result?
- iii) Should the ICCPL be replicated in total or in part in other countries, and under what conditions?

Sources

Information is mainly provided by officials of the GOI and then by the Donors themselves (see the list hereafter). As it can be expected, every institution has his own agenda, and is not likely to provide information on the less positive side of the ICCPL. For this reason, we tried to use sometimes information provided by the civil society or the media when their views differ from the official views. This is of course not to say that these alternative views are right, but just that some problems may be at the basis of these discrepancies. Triangulation would obviously be the best way to deal with the discrepancies, but it is very difficult to implement in practice.

A further problem is that the available documents provide only very little information about the results and impacts of the policies implemented by the GoI, which would be a major shortcoming if such aspects of the ICCPL would be taken into consideration.

The various sources of information used in the assessment are listed hereafter:

- GoI's documents: Communications to UNFCCC, Thamrin (2011), Indonesia Climate Change Sectoral Road Map, RAN-GRK and RAD-GRK documents
- Reports: IGES and GG21 monitoring and evaluation reports, initial ICCPL evaluation report, World Bank Implementation completion and result report, TA notes
- Internal documents: SC minutes and presentations, AFD Notes au Conseil d'Administration (Notes to the Board)
- Interviews : 14 persons interviewed (AFD, JICA, GoI staff)
- Other relevant documents, namely Hein (2013), Pumomo (2013).

Conclusion

Assessing budget support under ICCPLs should be based on the standard 3 steps OECD-DAC approach. Nevertheless, some differences between Standard General Budget Support approach, aimed at poverty reduction in Low Income Countries and ICCPLs aimed at mitigation and adaptation to climate change should be taken into consideration. The main difference may be that in the case of SGBS the resources do contribute directly to the outcomes and results, but some other differences are also significant. For this reason, the design of the evaluation and the evaluation questions should be adapted.

Moreover, in the case of the Indonesia CCPL, the assessment is limited to the analysis of the Donors' support to the government's policies and some aspects of their implementation. It does not tackle the issue of these policies' outcomes and impacts.

The remaining of this report will apply this restricted methodology to the Indonesian CCPL. We will then draw the lessons of this exercise and show the limitations of applying this methodology to CCPLs (see section 6.3 for the limitations of our report in the case of Indonesia and section 6.4 for the general methodological issues of applying the 3 steps approach to CC issues).

Chapter 3 Step 1: Inputs and direct and induced outputs

Step 1 aims firstly at the description and the assessment of ICCPL programme inputs, provided by donors, and their direct influence on the relationship between external support and GOI's budget and policy processes, as well as their induced effects on changes in financing and institutional national arrangements (including in relation to institutional and budgetary frameworks for public spending, inter-ministerial coordination processes, mainstreaming of the Climate Change issue within the GOI and the line ministries, harmonization and alignment of external assistance, etc...).

3.1. Inputs

3.1.1. What inputs were provided and to what extent do they correspond to the expected ICCPL inputs?

Budget support

Although the evaluation covers the ICCPL over 2008 to 2010, the ICCPL is not a single loan with tranche disbursement over three years but a series of individual annual loans by JICA and AFD over 2008, 2009, and 2010 and by the World Bank over 2010. Together these loans constitute the Indonesia CCPL¹⁸ (see Table 5).

Loan agreements for all agencies in each year refer to a common policy matrix or matrix of indicators covering actions or milestones in the various areas of climate change related policy reforms. While these were agreed between the relevant donors and the Government, and constituted part of the loan agreement, they were not conditions for disbursement as such (and as found in other budget support grant and loan agreements). Compliance with the matrix

¹⁸ Known in 2010 as the Indonesia International CCPL by the World Bank.

performance indicators was not in itself a condition for disbursement. Rather, disbursement was triggered on the basis of completion of a monitoring assessment concluding satisfactory progress towards achievement of the indicators agreed for the loan¹⁹ in the previous year and on the reaching of agreement on indicators for the current or subsequent year.

Table 3.1-1 ICCPL - Individual Donor Loans (US\$ million)

Disbursement Year⁺	JICA	AFD	World Bank	All
2008	300	200		500
2009	300*	300		600
2010	300	300	200	800

Notes:

⁺ JICA documents refer to funding years 2007 to 2009, and to the Indonesia CCPL Phase 1 covering 2007-2009. AFD documents refer to disbursement years, 2008-2010²⁰.

* In addition JICA provided US\$100mn under a linked Emergency Loan.

¹⁹ The English version of the matrices makes reference to ‘indications’ rather than ‘indicators’.

²⁰Part of the reason for different terminology relates to the use of different fiscal years across donors and beneficiary. Indonesia changed from an April to March fiscal year to a January to December fiscal year from 2001. Japan's fiscal year runs from April to March, while France uses January to February. The World Bank on the other hand applies a July to June year.

Table 3.1-2: ICCPL Disbursement Schedule

Calendar Year	Loan Agreement		Disbursement Conditions			Disbursement
			Indicators Agreed	Steering Committees	Monitoring against	
2008	2008 loans	2007-2009 matrix	April/May proposed; November agreed	SC1 14/11	2007/2008 indicators, from Sept	Nov against monitoring of 2007 and agreement on 2007-2009 matrix
2009	2009 loans	updated 2008-2009 matrix	May proposed, agreed prior to November	SC2 12/2 SC3 20/5 SC4 25/11	2008 indicators in Feb/Mar and 2009 Sept/Oct	Dec against monitoring 2008 and agreement 2008-2009 matrix
2010	2010 loans	2010-2012 matrix	Mar agreed	SC5 24/3 SC6 23/11	2009 indicators in Feb/Mar and 2010 Sept/Oct	June against monitoring 2009 and agreement 2010-2012 matrix
2011	2011 agreed but not signed	amended 2011-2012 matrix	May agreed but not signed	SC7 5/7	2010 indicators in Feb/Mar and 2011 Sept/Oct	no disbursement
2012	no agreement	no matrix	Govt matrix May/June	SC8 2/11	2011 indicators in July/Aug	no disbursement

Note: * the ICCPL Steering Committee usually met in November to review the results of the monitoring mission and to discuss the following year's programme/indicators, and in March to approve the timing of the next monitoring mission and to endorse the proposed matrix for the current year.

Technical assistance

Technical assistance (TA) is considered as an input in the OECD Methodological approach to evaluating BS (see Chapter 1). However, when TA programs are identified and implemented as a consequence of the ICCPL process, TA can be seen as a direct output. For simplicity, we will list here all the TA programs linked to the ICCPL. Nevertheless, we will highlight in the “direct output” section the TA programs which have stemmed from the ICCPL.

It should be noted that despite being considered here as a part of a “CCPL package”, TA is a different tool, with separate agreements and different governance. Moreover, in both cases, TA is financed by grants.

AFD’s and JICA’s approaches of technical assistance (TA) are somehow different. On the AFD side, the TA was considered a part of the initial package²¹ and mostly oriented towards the targeted sectors (such as forestry and energy), including part time TA devoted to the monitoring of the matrix. The main TA programmes implemented by the AFD were in the Bappenas (for cross-cutting issues linked to the forestry sector), the cement industry, the Ministry of Forestry (feasibility study of a small scale green carbon market for the small-scale forest plantations and a tool for decision support for the planning of land use).

On the JICA side, the initial package included TA for monitoring, whose purpose was also to identify the barriers for implementing CC policies, necessary measures and further cooperation schemes. This allowed the JICA, in consultation with the Bappenas, to unravel a large technical assistance project, the Project of Capacity Development for Climate Change Strategies in Indonesia.

TA was not really aligned with the financial part of the ICCPL. The ICCPL disbursements were annual and the TA multi-year. In both cases, TA was not financed under the ICCPL (loan) as such, but under separate grants. This non-alignment is puzzling, because this could be seen as a sign that Donors are likely to disburse in any case, just to “justify” the permanence of the TA²². In the case of JICA, the TA programs are still running even after the ICCPL ended.

Policy dialogue

Policy dialogue has two different components. Firstly, high level policy dialogue, which is aimed at enhancing the political commitment of the GoI. Secondly, technical dialogue which is aimed at improving the quality of the policies.

The high level policy dialogue involved official visits of Indonesian government delegations (that included half officials from line ministries and local government) to Japan, but also discussions with climate change public figures such as the French Ambassador for Climate Change Negotiation on the French side. A deputy minister level policy dialogue took place within the ICCPL Steering Committees (SC), which will be considered in this report as an induced output because they imply an active involvement of the Indonesian parties (see below).

The technical policy dialogue took place mainly during the monitoring, the preparation and follow-up of the Steering Committees. It was centred on the priorities reflected in the Policy matrix.

²¹ AFD and JICA did not finance TA under the CCPL as such, but under separate grants.

²² The Regional Department of JICA thinks however that the TA's objective of capacity development of GOI for mainstreaming CC is different from CCPL while it is not necessary to be aligned in terms of their duration. Therefore, the TA's multi-year approach is indispensable for achieving its objective.

The ICCPL financial inputs were determined by Indonesia's budgetary needs and the TA programs were designed as to respond to ministries' demand for support. In addition, the policy dialogue, through its various forms, corresponds to the GoI's expectations in terms of visibility and high-level expertise.

3.1.2. Was the ICCPL consistent with the national policy or strategy for climate change control/mitigation?

We will look into the coherence of the ICCPL with regards to the GoI's strategy for CC, but also with regards to the Donors position on fighting CC.

The ICCPL was designed to support Government's objectives to manage the impact of climate change, in particular the commitment in the *National Action Plan Addressing Climate Change*, launched in December 2007. A central feature was the reduction of Greenhouse Gas emissions. Indonesia was ranked third in the world on GHG emissions, generated in large measure from poor forest management and land use change practices and to a lesser extent on energy use characteristics.

The policy matrices attached to the financing agreements formed the basis for assessment of eligibility for disbursement and included implementation of actions drawn from the *National Action Plan*. In exchange for these developments in climate change management, the ICCPL provided support to the national budget, untied to the execution of climate change activities, helping the general fiscal position while also assisting commitment to the expenditure requirements of the climate change strategy.

Within this general policy framework, specific objectives of the ICCPL relate to:

- mitigation of Indonesia's greenhouse gas emissions, involving policy development and implementation in sectors responsible for major emissions: forestry, land use change, energy (use of renewable energy sources and increased energy efficiency) and transportation²³;
- adaptation of practices in key sectors to respond to climate change both to mitigate and prepare for negative impacts (including disaster risk management) and to take advantage of new opportunities to support economic development, growth, and efficiency, notably in agriculture, fisheries, and water management; and
- crosscutting issues, largely connected with the mainstreaming of climate change issues across Government macroeconomic, fiscal and sectoral policies and incorporation in the National Development Plan of the features of the Climate Change Road Map covering Kyoto, Copenhagen and Cancun commitments and other sector strategies, and the mobilisation and management of financing for responses to climate change (including through the Indonesia Climate Change Trust Fund²⁴).

²³ The Government has also adopted a strategy to benefit under the UN's Reducing Emissions from Deforestation and forest Degradation (REDD+) facility, to which several donors have subscribed, including possible access to US\$1bn from Norway.

²⁴ Combining resources from a number of donors.

Sectors covered in the Policy Matrix were selected based on dialogues with Bappenas and the line ministries, based on the national priorities specified in the key policy documents such as the Yellow Book (“National Development Planning: Indonesia responses to climate change), the National Medium-term Development Plan, and the Indonesia Climate Change Sectoral Roadmap (ICCSR), all of these documents describing appropriate actions to reduce GHG emissions and adaptation activities in Indonesia, bridging the National Action Plan on Climate Change into the 5 year Mid-Term Development Plan 2010-2014 and providing inputs for the subsequent development plans until 2030. We can see the sectors or issues prioritized by the GOI from the key policy documents issued (or to be issued) as follows:

Table 3.1-3: Sectors covered in the GOI’s key documents on climate change issues

Sectors	Yellow Book		SNC		ICCSR		RAN-GRK	RAN-API
	Mitigation	Adaptation	Mitigation	Adaptation	Mitigation	Adaptation	Mitigation	Adaptation
Land use/Forestry	✓	✓	✓	✓	✓	✓	✓	✓
Energy	✓	✓	✓		✓		✓	
Industry	✓	✓	✓		✓		✓	
Mining	✓						✓	
Transport	✓	✓	✓		✓		✓	
Waste Management	✓		✓		✓		✓	
Infrastructure	✓	✓	✓					
Water resource	✓	✓		✓	✓	✓		✓
Agriculture/ Livestock	✓	✓		✓	✓	✓	✓	✓
Marine/Coral/ Islands/Fisheries	✓	✓		✓		✓		✓
Disaster/Abnormal weather				✓				✓
Health		✓		✓		✓		✓

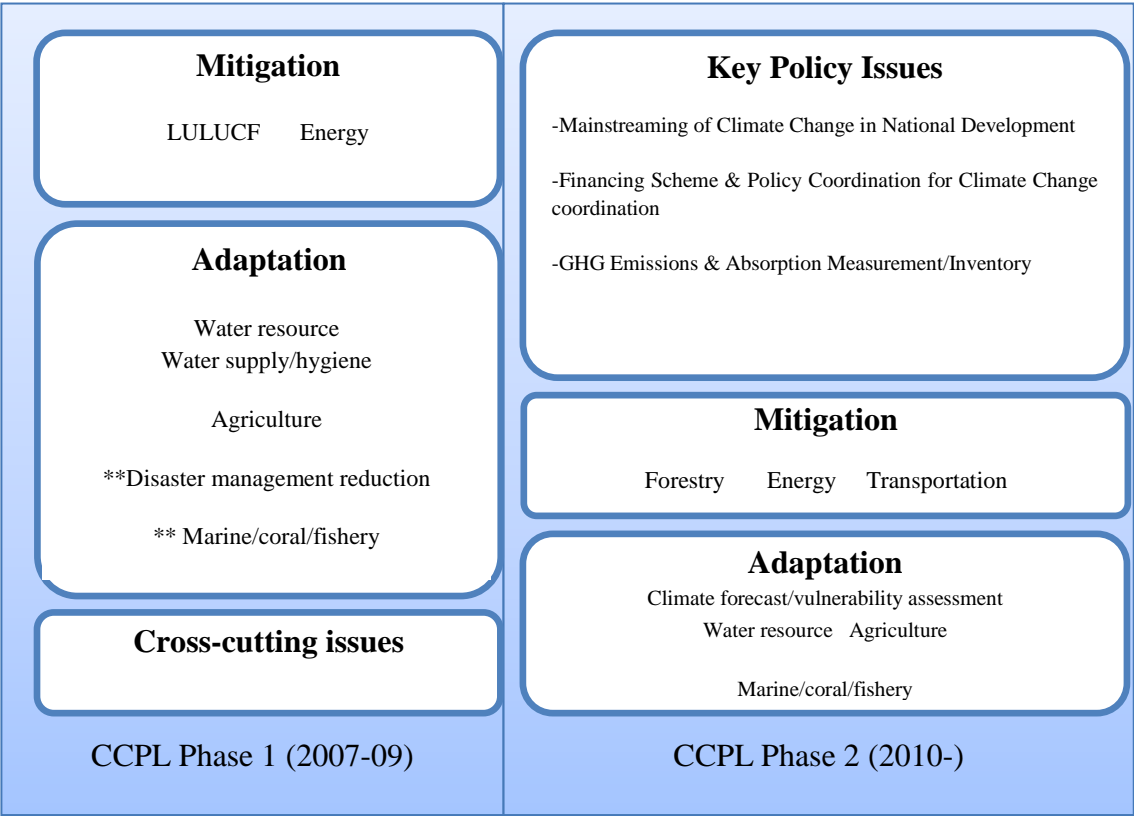
All of the documents put the sectors of "LULUCF", "energy (including industry)", "transportation" and "waste management" for mitigation, and those of "LULUCF", "water resource", "agriculture", "marine, coral, islands and fishery", and the "health" for adaptation.

The ICCPL Policy Matrix, covering seven of the above sectors, namely "LULUCF", "energy", "transportation", "water resources", "agriculture", "marine and fisheries" and "disaster management," appropriately corresponded with the GOI’s concerns.

Furthermore, all of the key documents commonly address the importance of cross-cutting issues such as: institutional reforms to mainstream climate change issues in the national development policy; improvement of the financing mechanisms; and understanding of the impact of climate change as the foundation to enable and promote policy actions in each sector.

The GoI and the development partners took note of the importance of such foundations while preparing the Policy Matrix for beyond 2010. Therefore, they agreed in placing more emphasis on the “upstream policies” focusing on the establishment of such foundations particularly in the three outcome areas of: 1) Mainstreaming of Climate Change in National Development Program, 2) Financing Scheme & Policy Coordination for Climate Change coordination, 3) GHG Emissions & Absorption Measurement/Inventory. These three outcome areas were placed on the top of the new Policy Matrix. This revision reflects the common understandings on the key challenges shared through the monitoring activities and the policy dialogues conducted during ICCPL Phase 1, such as the necessity to prepare NAMA/MRV systems as well as providing further supports to the local governments. The Policy Matrix for ICCPL Phase 2 became more relevant by way of reflecting the update conditions and needs identified.

Figure 3.1-1 : Sectors covered by a policy matrix of ICCPL Phase 1&2



Note, however, that some of the issues prioritized in the GOI’s key documents were not included in policy goals of ICCPL. For example, mitigation actions in waste management sector and adaptation policies in health sector were not included in a policy matrix during the ICCPL period

(except for 2008 and 2009 when policy indicators included “waste management” under Co-benefits” covered in cross-sectoral issues).

We will now analyse whether the ICCPL is in line with the Donors’ approach of fighting climate change. In 2008, Japan announced a new initiative on climate change named “Cool Earth Partnership”. Through this, JICA cooperates actively with developing countries to reduce greenhouse gas (GHG) emissions with efforts such as enhancing energy efficiency. At the same time, JICA also provides cooperation in assisting developing countries suffering from severe adverse impacts as a result of climate change. In September 2009 at the United Nations Summit on Climate Change, new Prime Minister Yukio Hatoyama pledged to reduce Japan’s own emissions by 25% by 2020 and called for establishment of a fair and effective international framework in which all major economies participate. In addition, Prime Minister Hatoyama announced a new initiative called the “Hatoyama Initiative”, which promotes support of developing countries with both financial and technical cooperation. According to his announcement, Japan deems the following four principles essential in assisting developing countries: First, developed countries, including Japan, must contribute through substantial, new and additional public and private financing. Second, we must develop rules that will facilitate international recognition of developing countries' emissions reductions, in particular those achieved through financial assistance, in a measurable, reportable and verifiable manner. Third, on assistance to developing countries, consideration should be given to innovative mechanisms to be implemented in a predictable manner. And, an international system should be established under the auspices of the UN climate change regime. This system should facilitate one-stop provision of information on and matching of available bilateral and multilateral financing, while securing transparency and effective utilization of assistance. Fourth, Japan proposes to establish a framework to promote the transfer of low-carbon technologies which ensures the protection of intellectual property rights. JICA will enhance its cooperation to developing countries which make significant effort to tackle climate change and to develop into a Low Carbon Society.

The Indonesia Climate Change Program Loan (ICCPL), the first large-scale program loan under the Cool Earth Partnership, was agreed between the GOI and GOJ in August 2008. ICCPL is designed to support a wide range of Indonesian efforts to deal with climate change issues, including some key policy reforms, through providing 300 million USD per year over three years as general budget support.

AFD has integrated climate change as a core component of its strategies and aims to demonstrate that it is possible to finance development (reduce poverty and inequalities and promote growth) and, at the same time, preserve the future climate of the planet. AFD has therefore adopted a process that seeks to promote solutions for low carbon development in countries. Its approach to support emerging countries focuses on financing for development that contributes to reducing greenhouse gases. Operations particularly aim to support policies that integrate an analysis of the vulnerability of systems vis-à-vis fossil fuels. In the field, these orientations are implemented in various sectors: energy, transportation, local authorities and urban development, forests and agriculture. Climate change adaptation is also a major concern for AFD as the world’s most disadvantaged populations will be the first victims of

the consequences of climate change. AFD's strategy specifically integrates a proactive approach to the issue of the climate change resilience of the investments it finances and the vulnerability of goods and persons. In addition, massive amounts of financing are needed to combat climate change. This will require mobilizing all public and private financial players, as well as an extensive range of both budgetary and market financial resources. The role of donors such as AFD is to be a key player in financing these investments and, at the same time:

- to implement its action via projects with a demonstrative value in terms of promoting low carbon investments and adaptation. The exemplary nature of these projects may be based on the innovative aspect of financing, the dissemination of appropriate technologies, actions that combine emission mitigation and adaptation and, above all, the convergence between development and emission limitation,
- to develop innovative solutions that mobilize various sources of financing and have a knock-on effect for all financial players, particularly the private sector,
- to provide solutions for an effective and efficient implementation of international financing for the climate.

In conclusion, we can agree that the ICCPL was designed taking into consideration the already advanced national strategy on CC and its main features follow the predefined lines of the Donors' climate change approach.

3.1.3. To which extent is the design adapted to the political, economic and institutional country context?

The question concerns the assessment of the choices made in terms of inputs used and mechanisms for monitoring the management of public finances and reform process agreed in relation to the Indonesian political, economic and institutional context. The assessment will focus on the risk analysis done ex-ante and adaptation of inputs and monitoring mechanisms.

For the AFD, the "Notes to the Board" of each ICCPL disbursement mention a risk analysis, systematically done for loans, considering the political, economic and institutional context. For JICA, the ICCPL monitoring framework was conceived during program formation process taking into the nature of first-ever intervention of climate change policy support operation associated with the provision of GBS. Appraisal documents were elaborated and submitted to the Board for each ICCPL – risk analysis and future prospects were thoroughly and systematically made for each loan.

In addition to JICA's ICCPL II (US\$ 300 million), an Economic Stimulus and Budget Support Loan (US\$ 100mil.) was provided in December, 2009 in order to support the government in mobilizing funds to implement economic stimulus measures in the face of a global financial/economic crisis triggered by the subprime loan in the United States in 2007, followed by the collapse of Lehman Brothers in September 2008.

The 2007 and subsequent reports by IMF clearly show that the financial risk was very low indeed in the case of Indonesia (see below).

The choice of sectors is not firmly rooted in a conventional cost/benefit analysis (a marginal abatement cost/benefit analysis in the case of a CC policy²⁵), being rather based on the consideration on relevance, effectiveness and sustainability mainly by the result of discussion with the GoI and the Donors.

The amount of BS provided is not linked with an identified set of expenditures (one should remember that there was no possibility to identify in the budget CC related expenditure). The amount needed for CC policies implementation is difficult to assess. For instance, Hadi Daryanto, secretary general of the Forestry Ministry, said that “the ministry needed at least \$5 billion to \$10 billion each year in its fight to reduce carbon emissions through programs such as education and raising awareness among Indonesians living on the edge of rainforests. The first approach that we use is through persuasion or education,” he said in an interview with the Jakarta Globe on Friday, adding that illegal logging is still occurring, but the ministry has tried its best to persuade and educate the local people” (*Jakarta Globe*, December 2, 2012).

Besides, one should not forget that the ICCPL comes with extra costs for the GoI (transaction costs: meetings with Donors, data gathering, missions, etc.). This implies a minimum threshold in order to offset the transactions costs.

The ICCPL is sometimes referred to as a “financing of the gap”, which is more relevant to Low Income Countries. In Indonesia, the gap might be filled by borrowing on the domestic or international financial market. The advantage provided to Indonesia is i) borrowing at a lower cost and ii) borrowing even in adverse situations, like during the 2008 crisis. Moreover, it is difficult to use effectively BS, because these amounts are not sustainable (there is no commitment from the Donors to go on lending the same amounts for a very long period). For this reason, BS has to be used for flexible expenditure items, easy to cut. It should also be noted that the disbursement timing is important. According to Table 3.1-2, most disbursements have been made very late in the fiscal year, which is not very helpful. Finally, PFM reports note that a problem in Indonesia is not really a lack of resources, but the difficulty to disburse already existing resources. As stated by IMF art. 4 2012 report (p. 27)²⁶ “Budget execution still represents a challenge. While capital spending is increasing in absolute terms, only 80 per cent of the budgeted amount was executed in 2011, with about half disbursed only in the last two months of the year”.

It should be noted however that the amounts provided under the ICCPL are relatively small compared with the resources of the GoI and with the size of the Indonesian economy (see question 3.2.1.)

²⁵ The National Council on Climate Change published in 2010 a document entitled “Indonesia’s greenhouse gas abatement cost curve” (DNPI, 2010, with acknowledged support of the AFD), drawing on previous work, namely a McKinsey 2009 paper.

²⁶ This problem does not seem to be reported earlier which can be explained by the sharp decline in infrastructure expenditure because of the crisis, and by previous expected reliance on PPPs.

The amount provided seems better respond to a concern about being taken into consideration by the GoI²⁷.

The ICCPL is a pioneer in terms of CC funding and thus its design stems from the Indonesian context and specific demands. This guarantees a high degree of adaptation to the country's political, economic and institutional context, but also leaves space for improvements. Amongst them, we have highlighted the fact that the amount of the budget support is not very important with regards to the GoI's financial resources and this raises the issue of an eventual limited leverage when discussing the CC policy orientation.

3.2. Direct outputs

3.2.1. To what extent has ICCPL contributed to increasing the efficiency of external funding submitted to the national budget process and improving the overall predictability of aid flows?

From a macroeconomic standpoint, an ICCPL provides jointly resources for the GoI and hard currency (USD and yens) for the economy. It has positive effects (“filling” the gaps) but may potentially also have negative ones (over-indebtedness, unsustainable increase in expenditure, waste of resources in the case of the Government, loss of competitiveness in the case of Balance of payments). Is this relevant in the case of the Indonesia CCPL?

The disbursements of the ICCPL are rather small when compared with the resources of the GoI. As shown in Table 3.2-1, those disbursements amount to less than 1 per cent of the revenue (or expenditure). Compared to the deficit, the ICCPL disbursements were significant only in 2008, but this was because the deficit was very small, and hence easy to finance on the market.

27 A similar conclusion is made in the Tunisia EC BS evaluation report : « Despite the limited direct impact of Budget Support receipts, the provision of financial resources has had significant indirect effects (credibility, window for dialogue, ...). To this end, it is recommended that the financing function of Budget Support programmes be not overlooked and that overall amounts be kept above a minimum threshold capable of ensuring that the CPs are recognised as important partners, thereby allowing their participation to crucial dialogue processes.” (OECD DAC 2011)

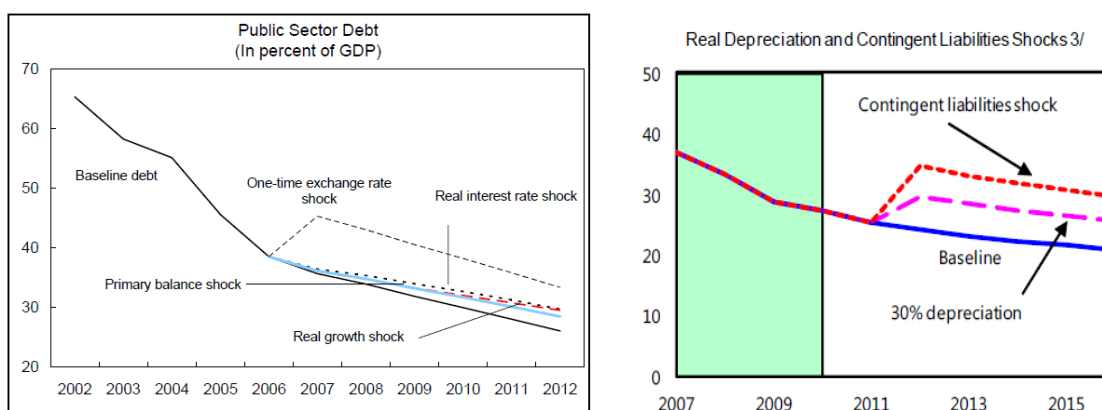
Table 3.2-1: Indonesia, government financial operations and ICCPL disbursements

In billion USD	2007	2008	2009	2010	2011	2012
Revenue	77.0	101.0	81.4	111.6	136.2	149.3
Grants	0.2	0.2	0.2	0.3	0.3	0.1
Expenditure	82.5	101.7	90.1	116.3	146.1	165.9
Overall balance	-5.3	-0.4	-8.5	-4.4	-9.6	-16.5
CCPL disbursements/Revenue		0.5%	0.7%	0.7%		
CCPL disbursements/Expenditure		0.5%	0.7%	0.7%		
CCPL disbursements/overall balance		-115%	-7%	-18%		

Source: IMF reports, Authors calculations.

The ex-ante impact of the ICCPL on the public debt was not a matter of concern. According to the IMF debt sustainability analysis, the debt was low and the projection showed that the debt dynamics was under control (see エラー! 参照元が見つかりません。 , left side), except in case of a significant shock on the exchange rate. Of course, this did not take into consideration shocks like the 2008 crisis, but the management of the crisis by the GoI did clearly show the relevance of this analysis. As a result, the 2010 debt sustainability analysis performed by IMF (see エラー! 参照元が見つかりません。 , right side) shows that the public debt is still not a matter of concern (even when shocks are taken into account).

Graph 3.2-1: 2007 and 2010 debt sustainability analyses Indonesia



Source: IMF, 2007 Indonesia country report, cr07272 and 2011 Indonesia country report cr11309

It is clear that the ICCPL did not put debt sustainability at risk. Of course, this could be expected, as the amount of the ICCPL was small relative to the debt of the Public Sector, which amounted in 2007 to 150 billion USD.

Indonesia did not “need” foreign resources either, because the current account (CA) of the Balance of payments was structurally in surplus, as the overall balance. The CA ran a surplus of 10.9 billion USD in 2006, and 10.5 billion in 2007 (all figures from IMF Indonesia

Reports). The reserves (Net Foreign Assets) were actually increasing, from 42.6 billion USD at the end of 2006 to 56.9 at the end of 2007 (4.7 months of imports, 197 per cent of short term debt). The main fragility comes from the volatility of the capital flow, and from the possibility of sudden outflows of capital.

From this point of view again the resources provided by the ICCPL are rather limited (see Table 3.2-2). They may be interesting for Indonesia i) because of the lower cost and ii) because of the predictability at least on a year by year basis.

Table 3.2-2: Indonesia, Balance of payments and ICCPL disbursements (billion USD)

	2007	2008	2009	2010	2011
Exports	118,0	139,6	119,5	158,1	200,6
Current Account	10,5	0,1	11,2	5,1	1,7
Borrowing	-4,8	-7,3	-8,3	2,3	-1,6
Public external borrowing (net)	-2,4	-1,4	-1,2	-0,3	-2,0
CCPL disbursements/exports		0,4%	0,5%	0,5%	
CCPL disbursements/CA		500%	5%	16%	

Source: IMF, Art IV reports, our calculations.

The ICCPL had very little direct effect on the efficiency of external funding submitted to the national budget process, but this is simply due to a sound Indonesian fiscal position. Nevertheless, the disbursements of the CCPL in a time of crisis provided some countercyclical support, which is a valuable input.

3.2.2. To what extent has ICCPL contributed to creating a framework for political dialogue focused on government priorities and strategies related to climate change?

The development of the Policy Matrix and the monitoring activities aimed at generating three impacts, namely, 1) to support coordinating agencies (i.e. Bappenas, MOF and others), 2) to promote coordination between coordinating agencies and line ministries and 3) to promote coordination between the central and local governments toward improvement of allocation of resources necessary for policy implementation.

Additionally, coordination of international cooperation process is no less essential than the coordination within the government. Thus the ICCPL aimed at increasing the opportunities of dialogues among the recipient government and development partners toward optimizing resource allocation and sharing knowledge and experiences. Toward these objectives policy dialogues were designed at a few levels: the steering committees; the technical committees; and sector dialogues. The steering committees invited vice-minister or the director general

class officers of the ministries and development partners, while the technical committees invited director levels of the GOI ministries and the ICCPL advisory/monitoring team²⁸.

The mandates of the SC and TTM for ICCPL are defined by Bappenas's ministerial decree No. 203/2008 as follows²⁹:

Mandates of ICCPL Steering Committee:

- Direct the policy for the implementation of policy matrix;
- Provide overall coordination for the monitoring of policy matrix implementation;
- Approve the monitoring results;
- Coordinate confirmation of policy matrix implementation with the donors; and
- Report monitoring results to the State Minister of Development Planning/Chief of Bappenas.

Mandates of ICCPL Technical Committee:

- Develop schedule and work plan;
- Oversee technical coordination for monitoring of policy matrix;
- Provide recommendations to steering committee for problems found during monitoring of policy matrix implementation; and
- Report monitoring results to steering committee.³⁰

Bappenas and the line ministries had more opportunities of discussing climate change issues while they carried out the monitoring activities and they prepared and convened the technical committees and the steering committees. Bappenas played a leading role in involving the relevant ministries into the dialogues including the technical committees where the participants deepened debate on the cross-cutting issues requiring the close coordination of the government ministries/agencies. The following table summarizes some of the major issues at the ICCPL technical committees.

Besides the technical committees, Bappenas and other coordinating ministries had close dialogues within and among the government agencies, as well as with private sectors and the local governments while they worked on the laws and regulations related to climate change policies. The government ministries/agencies and the local governments utilized such occasions of consultations/dialogues to share their experiences and knowledge and improve cross-organizational coordination to smoothly carry out policy actions.

The occasions for the stakeholders to improve coordination were provided by those embedded to the ICCPL, namely SCs and TTMs; but also by dialogues/consultations besides the ICCPL

²⁸ This improvement of coordination between the donors and the GoI remains limited to the donors involved in the CCPL. Indeed, the other donors were not invited around the table of the various committees. However, the GOI organized for a couple of year a Policy Coordination Forum back to back to the Steering Committee of CCPL and that would involve other donors but no such meeting has been arranged since 2011. It shows the importance of the CCPL a coordination device that goes beyond the narrow circle of the stakeholders – until the end of the CCPL.

²⁹ See Figure 1-2 for a closer view at the institutional steering of the ICCPL.

³⁰ BAPPENAS's ministerial decree No. 203/2008

committees. Naturally the impacts generated from the improved coordination among the stakeholders outrange the outcome targets set in the ICCPL Policy Matrix. We will further examine such broader impacts in the latter section(s).

Table 3.2-3. Some of highlighted main topics in discussed at TTMs

Date	Major issues	Major participants
November 5, 2008	<ul style="list-style-type: none"> - Establishment of the ICCPL technical committee was approved. - The progress/attainments of 2008 policy actions/targets were confirmed. 	Bappenas; Line ministries; JICA; and AFD
January 29, 2009	<ul style="list-style-type: none"> - Summary of the progress, attainments and challenges particularly in the sectors of Forestry and Agriculture were reported by the monitoring team and confirmed by the GOI ministries. - The progress of development of the Second National Communication was reported. 	Bappenas; Line ministries; JICA; and AFD
April 8, 2009	<ul style="list-style-type: none"> - Status of the progress/attainments of the policy actions/targets was updated. - Status of the newly developed/issued decrees and regulations were shared. 	Bappenas; Line ministries; JICA; and AFD
February 18, 2010	<ul style="list-style-type: none"> - 2009 monitoring results were approved. - Potential of additional technical cooperation projects was discussed. - The revision of the Policy Matrix for the ICCPL Phase 2 (2010 and beyond) was started. 	Bappenas; Line ministries; JICA; AFD; and WB
June 6, 2011	<ul style="list-style-type: none"> - 2010 monitoring results were approved. - The 2011 policy actions as well as future policy directions beyond 2012 were discussed. As the result, the Policy Matrix covered the issuance of the presidential decree on RAN-GRK. 	Bappenas; Line ministries; JICA; AFD; WB; and ADB
October 17, 2012	<ul style="list-style-type: none"> - 2011 monitoring results as well as the status/prospects of the actions beyond 2012 were confirmed. - Follow-up actions for each sector were discussed. 	Bappenas; Line ministries; JICA; AFD; WB; and ADB

At any rate we can understand that the ICCPL contributed to the improvement of coordination/cooperation among Bappenas and other relevant ministries as well as those within the ministries.

Bappenas, JICA, and AFD jointly established a monitoring mechanism for the ICCPL. Monitoring activities have been coordinated among Bappenas and the line ministries through correspondences, individual meetings, TTMs, and SCs. Bappenas and the development partners organized external experts into the Advisory & Monitoring team (A&M team) with an intention to enable advisory and monitoring activities on the basis of high level of expertise and on a neutral and impartial ground. The monitoring team comprised of experts of GG21, IGES, etc., collected information on the policy actions' progress, attainments, and challenges in the light of the Policy Matrix with the support of Bappenas as well as the line ministries and local experts. Monitoring was assisted by a close working relationship among Bappenas, JICA, AFD, and the monitoring team. The team collected information from official and unofficial documents provided by the line ministries, and through interviews with government officials in charge of the specific policy actions. Based on the collected information the monitoring team analysed the progress, attainments, obstacles and challenges and reported the results to SCs together with policy recommendations on measures to overcome the obstacles, and potential cooperation projects. Thus the monitoring activities served as the basis of the discussions at SCs.

However, despite these achievements, there was room for improving the monitoring mechanism. Challenges were identified particularly at the initial stage of the program. Firstly, regular monitoring activities and TTMs could not gain sufficient commitment from the line ministries due to the limited understandings on the objectives and the framework of the ICCPL among them. The monitoring team also faced difficulty in collecting latest information: the team was composed of external experts, and thus their studies depended largely on the study missions to Jakarta. The GOI ministries could not share the details on policies and regulations which are under development all the time. Later on the monitoring team entrusted information gathering to the local experts including the professors and researchers working at universities and local research companies while they were not on the missions. This made their data collection more effective.

In some cases, the government officials in charge were not even aware that the policy actions for which they were responsible were included in the Policy Matrix, and thus, their progress/attainments should be monitored and reported to the SCs. They were also confused and bothered by the overlapping of the monitoring activities conducted by several groups of development partners including the ICCPL requesting similar information. Such unnecessary burdens and confusions could have been minimised with better coordination and communication among donors to pursue effective monitoring activities.

The fact that the ICCPL was carried out as a general budget support program also created confusion among the line ministries: they did not receive the financial resources directly through the scheme, and thus the benefit was less tangible compared to project assistance. It

was natural for them to find it heavy burden to be repeatedly requested to provide information and to attend meetings. To encourage more positive participation to the monitoring activities, more tangible merits to the line ministries should have been designed from the initial stage of the program, and delivered through the occasions of the monitoring activities and the policy dialogues throughout the program period. In fact, during each TTMs, Bappenas repeatedly informed line ministries that TA was available to solve bottlenecks in implementing ICCPL policy actions. Not so many requests for such TA, however, were made by line ministries and a few TA requests did not materialise due to a mismatch of TA processing schedule between Japan and GoI.

Through its various committees, the ICCPL created a framework for the discussions focused on the GoI's strategies on CC, improving the communication between ministries and Donors. However, insufficient awareness and incentive for line ministries, which sometimes resulted in an underuse of TA, highlighted that there was progress to be made in establishing a well-functioning political dialogue framework between ministries.

3.2.3. To what extent has the ICCPL contributed to the provision of non-financial inputs that were strategic and focused on the GOI's priorities?

Bappenas, in consultation with JICA and AFD, invited the line ministries to submit requests for technical assistance related to climate change in order to provide them with incentives. This has finally resulted in a large JICA technical assistance project (Project of Capacity Development for Climate Change Strategies in Indonesia detailed in the section on the ICCPL inputs), that has further enhanced the ICCPL relevance. The same is true for AFD's non-monitoring TA, which has been designed as a response to identified demand of the line ministries. Four main TA programmes were implemented by the AFD (including the financing of a McKinsey abatement curves study):

- i. Providing expertise in the forestry sector to the Bappenas
- ii. Financing international expertise for the implementation of a scheme to reduce emissions of greenhouse gas (GHG) emissions in the cement industry for the Ministry of Industry
- iii. Financing a feasibility study of a small scale green carbon market for the small-scale forest plantations (mainly villages) to have access to voluntary carbon market (voluntary buyers: individuals, NGOs, SMEs with a compensation policy, etc.) for the Ministry of Forestry
- iv. Developing a tool for decision support for the planning of land use (taking into account the needs of local development, the dynamics of forest resources, the risks of climate change, biodiversity) for the Ministry of Forestry.

The JICA TA program is composed of three sub-projects:

- The project of Low Carbon Development Strategy Project by Integrating Mitigation and Adaptation Actions into National Development Planning (counterpart: Bappenas),
- The project of capacity development for vulnerability assessment (counterpart: Meteorology, Climatology and Geophysics Agency (BMKG))
- The project of capacity development for developing national GHG inventories (counterpart: Ministry of Environment (KLH))

The first sub-project is the most important since it includes support to the development of the national action plan (the RAN-GRK) and the regional one as well (the RAD-GRK).

Alignment of the ICCPL on the priorities of the GoI did improve during the implementation period. This is obvious when considering the changes in the Policy matrix resulting from the Policy dialogue. The first policy matrix, largely formulated during the second trimester of 2008, covered what for JICA was known as the Phase 1 period 2007-2009 with achievements for 2008 and 2009 set against a base set of actions for 2007. AFD essentially adopted these when it joined JICA in the ICCPL later in 2008. The matrix was formally approved by the first ICCPL Steering Committee in November 2008, which also considered the initial findings of the monitoring project initiated in September 2008³¹. During the first half of 2009, the matrix was amended to include two additional sectors under adaptation, but was otherwise essentially unchanged. For 2010, however, a new matrix covering the Phase 2 period of 2010-2012 was introduced³², with increased emphasis on policy development and rationalisation of specified project actions, the change reportedly resulting from a higher focus on the upstream policy development instead of specific project-level activities. This approach was also reflected in the modified matrix proposed for 2011.

The reform actions included in the policy matrix covered key elements of the climate change strategy, based upon the Government's National Action Plan Addressing Climate Change, including mitigation of Greenhouse Gas emissions, adaptation of sectors affected by climate change, and the mainstreaming of climate change into policy and actions at the macroeconomic and sectoral level across the economy.

The fact that the TA programmes, especially the one implemented by JICA starting with 2010, were developed in response to ministries' request is a proof that the TA was in accordance with GOI's priorities and strategies.

³¹ Monitoring was initially undertaken by a team based in Jakarta, incorporating the team leader (GG21) and deputy team leader (IGES), under a one-year technical assistance project fielded in September 2008. This Jakarta based approach was not continued, however, and was followed by monitoring through essentially two missions a year around September and March (following JICA's April to March fiscal year) involving a team of experts to both assess progress and compliance with current matrix actions and support modification and agreement of matrices for subsequent loan agreements.

³² Although with a Phase 1, 2007-2009, baseline.

3.3. Induced outputs

3.3.1. To what extent have the quality of the CC policies and their implementation been improved by the ICCPL?

During the period of 2008 to 2012, the GOI has carried out a number of legal and institutional reforms at national level to mainstream climate change issues in its overall development strategies, and established and/or improved financial schemes and incentive mechanisms to promote climate policies at various levels. At the same time, progress was observed on the development of action plans addressing mitigation as well as institutional reforms at the local levels. The GOI has worked on the above issues in close cooperation with international development partners including those participated in the ICCPL. Therefore we can understand the ICCPL, as one of the major cooperation schemes addressing the issues in Indonesia, contributed to the above attainments. The following initiatives could be highlighted as the mainstreaming of climate change issues in the GOI's ministries and agencies.

Table 3.3-1: Highlights of establishment/reorganization of agencies and institutes concerning climate change issues

	Establishment/reorganization	Related agencies
2008	The National Council on Climate Change (DNPI) was established.	DNPI
	The Agency for Meteorology and Geophysics (BMG) was reorganized into the Agency for Meteorology, Climatology and Geophysics (BMKG).	BMKG
	The Ministry of Agriculture (MOA) established Climate Change Committee under its Agency for Agricultural Research and Development (AARD).	MOA
2009	The Indonesia Climate Change Trust Fund (ICCTF) was established.	Bappenas
	The ministry of Public Works (MOPW) established the Climate Change Working Unit (MAPI).	MOPW
	The Ministry of Energy and Mineral Resources (MEMR) established the Directorate General of New Energy, Renewable Energy and Energy Conservation.	MEMR
2010	The REDD+ Taskforce was established.	UKP4

The above institutions and organizations (will) produce further impacts through exercising their functions to develop and implement concrete policies required in each sector.

Prior to launch the 2010 ICCPL the GoI and JICA redesigned the monitoring system. The highlights of the redesign include: 1) The officers of Japanese embassy and the resident JICA staff and JICA experts assigned at line ministries organized the ODA task force to regularly collect information; and 2) the former monitoring team was reorganized as the monitoring support team to provide technical supports with the above task force.

Due to this redesign more frequent updates of implementation status of policy actions became possible regardless of the mission periods. Additionally, the activities of the monitoring support team were not limited to information gathering any longer: they became able to provide technical/professional supports to develop climate change policies to Bappenas and other ministries. However, the team had to undertake activities which cannot really be described as technically sophisticated, such as supporting Bappenas in organizing the TTMs and SCs through developing the invitation letters and agenda as well as the conference materials.

The increased opportunities of the monitoring support team in exchanging the knowledge and/or experiences with the GoI's officials also contributed to the development and implementation of climate change policies. The GoI officials and the monitoring support team could identify the barriers of climate change policies, as well as the needs of additional technical cooperation projects (see also the section 2.4.).

Unfortunately some of the challenges of the monitoring activities, particularly those related to the targets setting and verification of the results were not completely overcome even in the ICCPL Phase 2.

Firstly, the targets were not clear enough to pursue in a well-organised way collecting information, analysing and verifying the attainments, and specifying the obstacles. Insufficient clarity in target setting, including anticipated outcomes and policy actions described in the Policy Matrix, as well as inadequate means of monitoring progress and attainment levels caused serious confusion among the stakeholders. Secondly, some of the targets did not properly reflect feasibility issues: some of the targets/actions have already been abandoned or postponed by the implementation agency when they were stated in the Policy Matrix.

Although such problems have been pointed out, the Policy Matrix in the ICCPL Phase 2 also included some targets/actions with unclear attainment indicators and verification methods, or which were not realistic to the implementing ministries/agencies. In particular the yearly actions set for adaptation measures in the sectors of water resource management, agriculture, and marine and fisheries were not appropriately set to allow clear performance measurement: lacked clear requirement measures: their linkages to the attainments of outcome (or medium term) targets were not clear, and some of the policy actions/targets were stated in compound clauses which should have been broken down to multiple performance indicators with little interaction with each other.

We have already argued that the yearly policy targets/actions as well as the outcome targets need to be designed to ensure that their attainments can be monitored, reported and verified at later stages. At least verification measures for the attainment, as well as the causal linkages between the attainment of the action with the broader outcomes and impacts should be logically designed at the initial stage.

The monitoring team utilized the opportunities of interviews and meetings with the GOI officials and discussed the issues of the challenges observed in the progress of policy actions and effective measures. In this manner the team contributed to the improvements of policies in each sector. The following issues were closely discussed in particular.

In LULUCF/Forestry sector, the problems in GERHAN program were identified through the monitoring activities during the ICCPL Phase 1. During the Phase 2, the monitoring support team mainly discussed with the GoI on the issues such as: the strengthening of support to the sustainable forest management in the local governments by, for instance, additional establishment of FMUs and improvement of the Special Allocation Fund (DAK) to allow flexible usages. The challenges related to the reporting of forest management policies were also shared through the discussions.

In energy sector, the monitoring activities highlighted the necessity to introduce the Feed-in-Tariff system and the exploration fund scheme to foster Independent Power Producers (IPPs) to develop geothermal power plants. The GoI and the development partners took notice of such observation by the monitoring team, and consequently carried out some of institutional development including the MEMR Regulation No. 32/2009 on Standard Purchase Price of Electricity Power by PLN from Geothermal Electricity Power Plants as well as international cooperation projects including the studies on risk mitigation measures such as the exploration funds conducted by BAPPENAS and KfW³³.

Additionally, the monitoring support team cooperated with BAPPENAS in its support activities on RAD-GRK development at each province in 2012. The team collected information on the international cooperation projects conducted by various development partners and helped BAPPENAS in identifying the provinces particularly requiring the support. The team also supported BAPPENAS to convene the workshops inviting the representatives of the provinces to promote smooth formulation of RAD-GRK.

Last but not least, the ICCPL monitoring modality was reflected to the GOI's monitoring system of the RPJMN implementation. The GOI reflected the experiences during the ICCPL Policy Matrix development and monitoring activities into its own monitoring system of the policies specified in RPJMN, and introduced the concept of "Reward and Punishment" to provide implementing bodies such as the national ministries and the local governments with better incentives. Hence, we can consider that the experience of the ICCPL indirectly contributed to the improvement of transparency and effectiveness of the GOI's policies.

³³ These studies resulted in the establishment of the Geothermal Fund Facility (GFF) with the support of ADB and then JICA.

We need to mention the cooperation programs and projects designed and introduced out of the monitoring activities and/or policy dialogues, as further impacts (to be) generated by the ICCPL. Above all JICA's Project of Capacity Development for Climate Change Strategies in Indonesia (2010 to 2015) will create wide range of impacts on climate change policies in Indonesia through directly supporting the development of the action plans, conduct of vulnerability assessment, and development of the GHG inventory system. The project was prepared as a result of the needs assessment during the ICCPL Phase 1, in which the monitoring team at that time was also involved. Even after the launch of the project, the monitoring support team of the ICCPL Phase 2 cooperated in, for instance, the activities in support of RAD-GRK development under the Sub-project 1. On this account the project is recognized as the most significant cooperation project derived from and concurrently operated with the ICCPL.

JICA has also cooperated to the revision of Jabodetabek transportation master plan through its Project of Integrated Urban Transportation Policy launched in July 2009. Under this project JICA provides technical assistance on the GOI's activities including: the reviews of SITRAMP (The Study on Integrated Transportation Master Plan for Jabodetabek); strengthening of the capacity of the government officers engaged in the development of urban transportation management plans; conduct of the feasibility studies and trial projects to prepare the revised master plan; and drafting of the Presidential Regulation for establishing Jakarta Transport Agency (JTA). We mentioned this project despite it was not derived from the ICCPL since it shows JICA's support to the GOI's efforts on transportation policy reforms provided from two angles, namely, strengthening of the capacity of the implementation agency and its officers through the project assistance, and identification of progress/attainments and challenges through the monitoring activities and the policy dialogues.

Table 3.3-2: The activities under JICA’s Project of Capacity Development for Climate Change Strategies in Indonesia with close relationship with the ICCPL

Sub-Project 1: The Project of Low Carbon Development Strategy Project by Integrating NAMA & Adaptation into National Development Planning	<ul style="list-style-type: none"> - Support for the mainstreaming of climate change issues into provincial medium term development plans; - Support for the promotion activities on RAD-GRK development; - Support for RAD-GRK development in the provinces of South- and North- Sumatera and West Kalimantan; and - Experts’ assistance on the development of the National Adaptation Strategies
Sub-Project 2: Capacity Development for Vulnerability Assessment	- Technical supports for the establishment of the systems of: vulnerability studies; climate change forecasting and verification; evaluation of adaptability; and strengthened coordination among stakeholders.
Sub-Project 3: Capacity Development for Developing National GHG Inventories	- Technical supports for the preparation of the guidance of inventory development (provided particularly to the waste management sector as a test run)

During the interviews with the line ministries, one of the positive aspects of the ICCPL that was often mentioned was the monitoring. Indeed, the line ministries and the BAPENNAS acknowledge an improvement in their monitoring and reporting, which they link directly to the ICCPL experience. The capacity building involved in the Donors’ monitoring process strengthened the ministries taskforces and contributed to the development of internal monitoring systems of better quality. According to our interviews, the GoI drew upon the experienced acquired during the policy matrix monitoring of the ICCPL while designing and implementing the monitoring systems for RAN and RAD-GRK.

However, concerns were expressed about the line ministries’ commitment and rigor in the monitoring process when no external stakeholders are involved.

Also, the TAs for enhancement of coordination and facilitation, especially in local governments such as the one in Bappeda South Sumatra Offices, seem to have a real positive influence on the policy process at local level. During the interviews, they highlighted benefiting from better communication and better information about what is happening at the central level.

By enhancing the national information system, through the monitoring process, and the strengthening of CC related institutions, the ICCPL had a considerable influence on the quality of the CC policies process and their implementation.

3.3.2. To what extent did the level of ICCPL contribute to better identifying the public spending on CC policies and what were the consequences for providing climate related public goods?

The basic problem is of course that expenditures in various ministries, local bodies, agencies and State owned enterprises (SOE) are contributing to mitigation or adaptation to CC. Hence, it is usually difficult to trace the improvements in this field.

The Ministry of Finance has been working out a new nomenclature for public expenditure taking into account explicitly CC related expenditure. This will allow to identifying the CC expenditure in various ministries. Nevertheless, as any economic activity may be seen to have an impact on CC, not too much should be expected from such an improvement (an analogous difficulty has been experienced with the identification of “poverty alleviating expenditure” in the case of debt relief in LICs).

Moreover, PFM is switching to management by results, which would allow linking the objectives in terms of CC with the expenditures. GoI has introduced PBB since 2011. Climate change programs of the line ministries are part of overall PBB process. While PBB is still in the early stages of implementation, some notable implementation milestones have already been achieved in overall perspective. JICA is conducting a technical cooperation project to strengthen capacity of government organizations including BAPPENAS for the realization of the PBB system implementation under the Medium Term Expenditure Framework (MTEF).

Based on RPJMN, the Medium Term Expenditure Framework and President’s 11+3 priorities, climate change is classified as one of the priority areas. As such, the climate change budget performance of line ministries will be monitored through trilateral meeting attended by BAPPENAS, MOF and line ministries for preparation of next year’s budget, prior to national consultation process in April every year.

Based on the result of monitoring by this trilateral meeting, the performance of climate change programs of line ministries will be reflected to next year’s Government RKP (Annual Work Plan); to be issued by a presidential decree in May of every year. During the third week of May of every year, budget discussions in parliament start before the formal budget proposal by the President in August.

Since 2011, the RKP has a category of climate change (mitigation, adaptation and supporting activity) with allocation of funding for the years to come.

Thus, the 2011 policy indicator (“Implement PBB for policies, programs and activities of line ministries related to CC”) was achieved in a broader overall PBB context.

Therefore, the PBB introduced since 2011 reflecting partly the 2011 ICCPL policy indicator, will raise awareness and provide incentive about CC and for line ministries and local government. Though the minutes of the SC have not been made public, they were circulated to the relevant ministries and agencies for review and comments. Since this process was repeated during the ICCPL process, it did create incentive to the line ministries and agencies

to take CC issues more proactively into consideration. The JICA TA for raising CC capacity of local government and supports by ICCPL monitoring support team to Bappenas secretariat for preparation of RAD-GRK provided both support, if not direct incentives to the local authorities.

Box 3.3-1: Better taking climate issues into consideration - the example of energy subsidies

Indonesia raised fuel prices twice in 2005, and increased them again on May 24, 2008. Indeed, cutting subsidies is risky for the GoI, from a social, political and economic point of view. As the IMF put it in its 2007 report: “increases in the retail prices before the 2009 elections would be politically difficult” (IMF, cr07272, p. 29). Phasing out energy subsidies to provide room for raising public infrastructure and social expenditures, as previously recommended by the Fund, remains a priority in the view of the staff and GoI. The postponement of the price adjustment was likely to boost energy subsidies to 3.5 per cent of GDP, compared with the 2.6 per cent of GDP in total allocated to all of development spending. IMF (2012 Art. IV Public information notice, page 2) notes: “An upward adjustment of subsidized energy prices was proposed by the government for this year [2012] in April, but put off by parliament unless oil prices exceed a revised higher threshold. The impact on overall expenditure growth will likely be limited by the under-spending on other items, including public investment”. エラー! 参照元が見つかりません。 shows that the amount spent for subsidizing energy was on an increasing trend (except in 2009, probably due to the drop in economic activity). As a result, the price of electricity did decrease between 2004 and 2010 (by 26 per cent for industry and by 31 per cent for the households³⁴).

Table 3.3-3: Indonesia, Energy subsidies

	2007	2008	2009	2010	2011	2012 (revised budget)
Energy subsidies (trillion rupiahs)	117	223	94,6	139,9	255,6	230,4
in billion USD	12,80	23,00	9,09	15,40	29,13	24,91

Source: IMF article IV reports

Indonesia’s parliament voted on June 17, 2013 in favour of measures rising the gasoline prices by 44 per cent to 6,500 rupiah (\$0.65) a litre and diesel by 22 per cent at 5,500 rupiah (\$0.55) a litre. Protests erupted across the country but stopped rapidly. Policy makers allocated 27.9 trillion rupiah in compensation in the revised 2013 budget approved by Parliament June 17, for coping with the adverse effects on poor people.

³⁴ According to Chappoz and Laponche (2013), p.89

According to Reuters (18/6/2013), even with the sharp jump in prices, Indonesia will still have fairly generous fuel subsidies. These prices are well below the Singapore prices of 73.5 cents and 76 cents respectively, on a free-on-board basis, meaning they exclude the costs of transportation from the refinery, any taxes and retail margin.

It is however hard to make the link between the ICCPL, the roadmap that was an achievement of the ICCPL and the decision taken to raise the prices. Pressure for taking this step was exerted not only by the ICCPL, but by the Bretton Woods Institutions, Think tanks like Global Subsidies Initiative³⁵, etc. Moreover, the deteriorating of the macroeconomic situation (in particular the plummeting of the rupiah in the second quarter of 2013 and the currency reserves dropping) seems to have played a major role in this decision taking. As Finance Minister Chatib Basri said in an interview on June 19, 2013: “The fuel-price increase will strengthen the nation’s currency and the trade balance as petroleum imports fall, while removing the incentive for smugglers to sell subsidized fuel abroad”. Because of this timing, some observers argue that the delay in taking the decision has made the adjustment cost higher³⁶ because it will increase prices, interest rates and may lead to capital flight, as it has been the case in 2005.

CCPL did contribute to identifying CC related public expenditure. Moreover, the CC policies are taken now into consideration into the PBB. The ICCPL contributed to the publication of a GoI’s roadmap for dealing with the reduction of energy subsidies. Nevertheless, no decision in this sense had been taken until 2013.

3.3.3. To what extent have governance and democratic accountability been strengthened?

While for disbursement there was no pre-set requirement of compliance with the conditions included in the matrices, there was in reality a presumption of substantial compliance. For the most part, compliance was usually around 80% when agreement was reached on disbursement and close to 100% when the next round of conditions was negotiated and agreed. Of course it has to be recognised that whereas the ICCPL took on the character of a medium term reform programme, it was in reality a series of annual agreements, often with less than a year between formulation of the matrix and assessment of performance. To a certain extent, therefore, it is not surprising that a high level of compliance was easily and regularly achieved as the baseline for the steps in the reform process was the compliance achieved in the previous agreement. Clearly, it would have made no sense to institute disbursement requirements that would have been difficult or impossible to achieve within the relatively short period before compliance assessment under the monitoring regime.

Further, since negotiation of the loan agreements was part and parcel of the policy dialogue, itself a reflection of the process of policy formulation and amendment in light of changing

³⁵ See International Institute for Sustainable Development (2012)

³⁶ Andy Mukherjee, “Risky reforms”, 18/6/2013, <http://www.breakingviews.com/indonesia-subsidy-cut-is-right-plan-for-wrong-time/21091963.article>

circumstances and, to a lesser extent, priorities, it is not surprising that the agreements reflected a) the latest policy commitments and budgetary allocations, and b) on-going implementation activity. This leaves the question as to whether the agreements in any sense either pushed forward the scheduling of implementation or changed the balance and composition of the reforms promoted. That negotiation took place, and in some years resulted in protracted discussion before agreement was reached, indicates that the donors' agenda did differ from that of Government and suggests, therefore, that the donors were perhaps able to influence the Government's agenda or schedule. Indeed, the fact that the initial Phase 1 matrix, essentially applicable for 2008 and 2009 and the basis of much that was in that for 2010, included elements that were not incorporated in the 2007 CC NAP, but subsequently were included in Government policy statements and climate change documents, suggests that the ICCPL had an impact both on the design and objectives of the Government's climate change policy and on the method and timing of its implementation.

Of major significance, however, was the effect of the ICCPL on the mainstreaming of climate change policy across the Government and society. Clearly the positive role of Indonesia in international fora on climate change, even before the ICCPL, but reflected not least in the emissions reduction commitment of 2009, is evidence of the awareness of Government to the implications and possibilities of climate change, and the potential distortion of previous and on-going development achievements.

The ICCPL with its regular check on performance and incentives for compliance in terms of funding is widely recognised among officials and agencies as contributing strongly to bringing the issues of climate change to the centre of Government policy development and implementation. In this regard, while mitigation and adaptation achievements are piecemeal, and part of longer term reform programmes, success in effectuating the crosscutting objectives has probably had the greatest impact (as recognised in the rebalancing of the 2010 matrix to bring them to the forefront), and ironically is likely to be the greatest loss from the ending of the ICCPL.

Chapter 4 Step 2: Results and impacts of national strategies

Step 2 aims at an assessment of the outcomes (GOI's response) and the impacts (on climate change-development related issues) which are implemented under the national climate change policy. At this step, the evaluation will take into consideration both the overall programme level and the sectoral level. An assessment of outcomes and progresses will be done for sectors in close relation with climate change policies. To this extent, a number of sectors will be taken into account, in relation both to mitigation and to adaptation policies. Forest sector will definitely be under the scope, as it is a priority sector for climate change concerns in the country, and as France has provided technical assistance and studies, in addition to ICCPL. Energy sector should also be retained, through JICA's specific recruitment of one expert on this area. Besides assessing the results and impacts of the ICCPL, we will try to identify the determinants of the observed changes.

4.1. Results in terms of GoI's response

4.1.1. Has the ICCPL induced changes in the macroeconomic environment?

Before presenting our analysis relative to this question, we would like to draw the attention on the fact that the macroeconomic stability was not an objective of the ICCPL as such. However, the ICCPL might have unexpected positive or negative macroeconomic effects on the Indonesian economy.

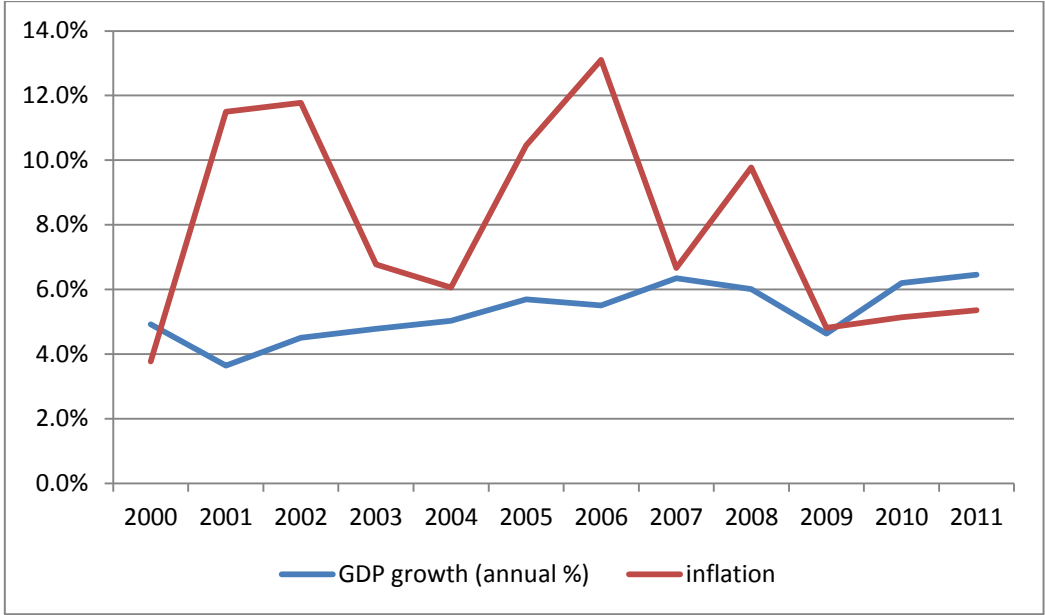
The macroeconomic record of Indonesia in recent years is impressive (see Graph 4.1-1). Growth was maintained at around 6% p.a. except for a slight fall to around 4.5% in 2010. Inflation was more difficult to manage, but remained broadly under control. Inflation actually fell in recent years offsetting increases in imported food prices (domestic fuel remained subsidised), and the currency remained relatively stable, appreciating slightly against the US dollar. The potential growth rate of the economy was estimated between 6 and 8 per cent by IMF in 2011.

Indonesia has been hit by the 2008 crisis, but managed the imbalances very successfully. A fiscal stimulus was launched in 2009 without damaging the public debt sustainability.

However, these noticeable achievements did not result in inclusive growth because of an increase of inequality. As IMF puts it in the 2012 article IV report, p.25: "With impressive growth, Indonesia's poverty rate has declined, but like in many other parts of the world, income inequality has been increasing. The percentage of the population living under \$1.25

per day has declined from 48 per cent to 18 per cent during 1999–2010. However, the latest rural and urban Gini indexes are higher than those in 1999. The income share of the richest quintile has also risen while that of the lowest quintile has fallen. The economic Master Plan, unveiled in 2011, recognizes the need to strengthen investment in both infrastructure and human capital formation. The hope is that the strategy will raise living standards, lift millions out of poverty, and greatly expand access to education and health care. The plan targets investments of \$468 billion over 2011–15, of which nearly half will be in infrastructure”.

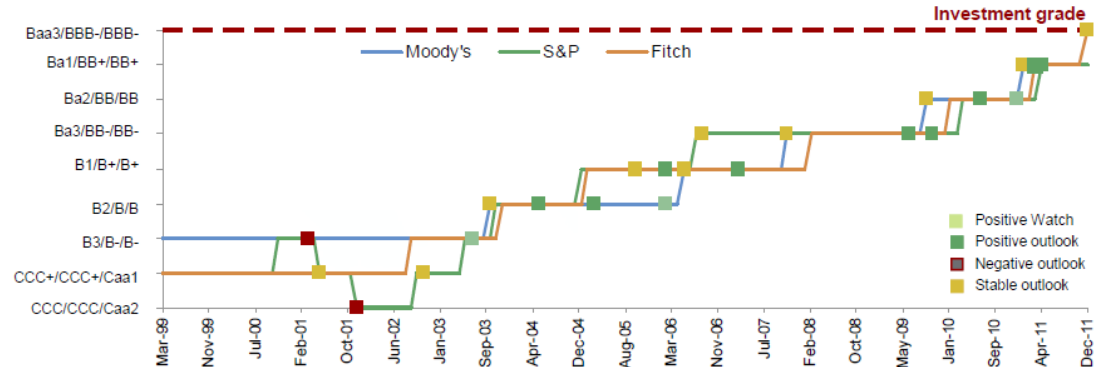
Graph 4.1-1: Indonesia, GDP growth and inflation



Source: IMF and World Bank

This improvement in the economic situation reflects in the improvement of the rating of Indonesia (see Graph 4.1-2).

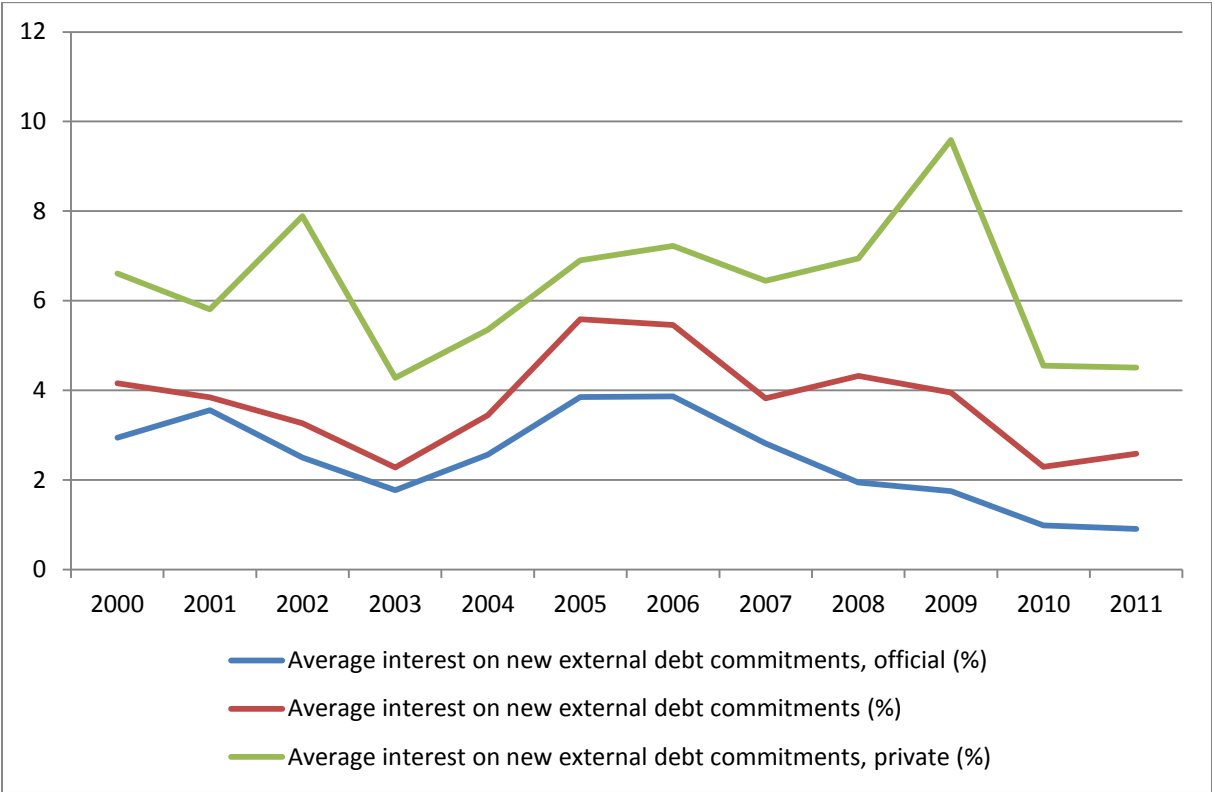
Graph 4.1-2: Indonesia ratings, 1999-2011



Source: S&P, Moody's, Fitch

This improvement in the rating results in a decrease of the interest paid for borrowing from external sources. As a consequence, the advantage provided by the ICCPL in terms of cost of borrowing did relatively fade away progressively. Nevertheless, this improvement is still fragile. In May 2013 Standard & Poor’s cut its rating outlook on Indonesia’s debt to stable from positive, saying a stalling of reform momentum and a weaker external profile had reduced the chance of an upgrade over the next 12 months.

Graph 4.1-3: Indonesia - Average interest rates on new foreign borrowing (in per cent)



Source: World Bank, WorldData, downloaded on June 15, 2013.

From the macroeconomic and fiscal point of view, the impact of ICCPL funding over three years effectively contributed to providing some fiscal space (nevertheless limited to the difference in the costs of borrowing), enabling the financing of initiatives related to climate change policy but also to maintenance of programmes focused on stimulating development, broadening social service provision, and reducing poverty. More significant, perhaps, was the impact that the ICCPL, and other DPLs and grants, had on stability, with growth, currency, and inflation fluctuations dampened during the difficult period of the 2008 crisis and its aftermath.

The negative effects of borrowing are very limited, because of the small size of the ICCPL. Between 2007 and 2010, the external public and publicly guaranteed external debt increased by 20 billion USD (from 80 to 100 billion, according to the WB World Data), which means

that the ICCPL amounts to less than 10 per cent of the increase – without undermining the sustainability of the debt.

The ICCPL offered a source of financing in times of dry credit markets, but it had almost no impact on the Indonesian macroeconomic environment.

4.1.2. Did the ICCPL inputs contributed to mainstreaming of CC issues?

We saw that the CCPL’s monitoring activities and policy dialogues contributed to the improvement of stakeholder coordination and information sharing. At the same time we should also point out that Bappenas and other ministries/agencies have worked on their own initiatives to increase the opportunities of dialogues to enhance coordination and cooperation, besides those embedded in the ICCPL process.

Table 4.1-1 shows the highlights of the topics at intra- or inter- ministries’ dialogues initiated by Bappenas and other ministries while they prepared laws and/or action plans on climate change issues. Some of the dialogues also involved private sector and researchers.

Table 4.1-1: Highlights of laws/action plans developed out of intra- or inter- ministries dialogues

	Major topics	Major participants
2008-2009	Development of <i>the Indonesia Climate Change Sectoral Roadmap</i> (ICCSR)	Bappenas, Line ministries, researchers, private companies
2008-2009	Mainstreaming of climate change issues in the medium-term National Development Plan (RPJMN) 2010-2014 by identifying the issues as one of four cross-sector challenges and one of 13 priorities.	Same as above
2009-2010	Development of RAN-GRK	Same as above
2011-2012	Development of RAN-API	Same as above
2011-2012	Support of the local governments and Bappenas in the development of RAD-GRK	Bappenas, JICA, local governments

Source: JICA, GG21 and IGES

Additionally, the ministries/agencies strengthened information sharing and coordination through the implementation of policies in each sector, as shown in the next table. In many cases coordination with the local organizations were particularly emphasized.

These dialogues and consultation meetings have significantly improved stakeholders’ coordination. Just for instance, MOFR took initiative in discussing with other ministries related to the definition and regulation of peatland, and reached outstanding results including the agreement on the map of the “moratorium (or the two-year suspension of new

concessions) areas” to ensure consistency among the regulations prepared by different ministries.

Table 4.1-2: Highlight of issues discussed/coordinated among ministries

	Major topics	Participants
2008-	Development of the River Basin Management Plans and Spatial Plans	Bappenas, MOPW, MOFR, NWRC
2008-	Information sharing on SRI (System for Rice Intensification) implementation	MOPW, MOA
2008-	Information sharing on the operation of Climate Field School (CFS)	DGFC, DGLWM, BMKG
2008-	Development of ministerial decrees and guideline on the establishment and operation of Forest Management Units	MOFR, MOHA, local governments
2009-	Feasibility study, design and introduction of Performance Based Budgeting (PBB) for climate change policies	Bappenas, MOF
2011-	Development of Peat Land Moratorium Map (PIPIB)	MOFR, MOA, UKP4, BPN, BAKOSURTANAL

Source: JICA, GG21 and IGES

With the decentralization, the Bappenas had lost a significant share of its weight (influence). With the ICCPL, the Bappenas found itself again in a powerful position since the presence of external stakeholders gave more strength to its requests of data from ministries. We can thus say that one impact of the ICCPL was the strengthening of Bappenas. However, we must note that in the beginning the local government saw the Central Government requests for reporting as an attempt to take over their newly acquired powers, especially in a context where they were not aware of the ICCPL and its implications.

According to our appreciation, the ICCPL has increased the coordination between line ministries and the Bappenas since it offered a framework for discussions, but it had little direct³⁷ impact on the relations with the local government.

The other point we need to emphasize is that this weak coordination between ministries might act as a significant obstacle for the mainstreaming of CC policies. In Indonesia, the low level of coordination between ministries, highlighted, for instance, by their reported reluctance to be involved in the Policy Matrix, can represent a significant impediment to the attainment of CC targets. This lack of coordination is mainly due to poor governance in some ministries.

³⁷ The CCPL had some direct impact to promote the collaboration between central and local government especially in the area of drafting RAD-GRK which has been supported technically by BAPPENAS and financially by MoF. However, the guidelines for the RAD-GRK formulation were issued in 2012, so after the end of the CCPL. Also, even if the RAD-GRK can be seen as a consequence of the CCPL, local governments were not aware of the existence of the CCPL, or at least the central government did not present it as such.

However, there was no public discussion in Indonesia that could have been linked to the ICCPL due to the strong opposition to this kind of “tool”. Countries like Indonesia (“Non-Annex I countries”) committed themselves not to borrow for CC during the international negotiations, arguing that the developed countries are responsible for CC and should bear the burden of mitigation and adaptation. This makes it difficult for the GoI to publicise issues related to the ICCPL as such, even if it is rather easy for it to advertise its CC commitments and policies.

Finally, the GOI and development partners have gained valuable lessons from the experiences of the ICCPL, namely the development of the Policy Matrix, the monitoring activities and the policy dialogues in ICCPL process to be utilized for formulation and implementation of the future cooperation programs addressing climate change issues based on the international agreements.

The Bali Action Plan as well as the Copenhagen Accord state that international community needs to strengthen financial and technical cooperation in order to reduce the GHG emissions of developing countries. Financial schemes to support the medium and long term policies were discussed at the COP 18 (2012), where the developed countries were “encouraged” to provide financial support amounting at least to the level of the annual average of the fast-start finance period for 2013-2015³⁸. Besides mere increase in the amount of fund, measures to correct the imbalances between the development needs of the recipient countries and the provision of financial supports have also become hot topics of the discussion. Toward this objective the UNFCCC has developed the NAMAs registry system and has unveiled the prototype at the 36th UNFCCC Subsidiary Body Conference (SB36, Bonn) in May 2012.

The registry system is expected to improve the transparency in the cooperation schemes addressing mitigation through enabling easier access to the information on NAMAs development and MRV systems in Non-annex 1 countries. By way of registering the NAMA and clarifying the system of monitoring, reporting, and verifying of mitigation actions, developing countries can more easily secure international funds on medium- and long- term mitigation policies.

However, the registry system alone does not ensure the smooth implementation of the whole process including NAMAs development and registration, provision of funds, implementation of actions and monitoring, reporting and verification. Close cooperation among the ministries and the local bodies in the recipient country as well as the development partner agencies is

³⁸ Since Copenhagen Accord, developed countries have provided more than 33 billion USD to the developing countries’ climate change policies. The fund provided by the GOJ adds up to 13.3 billion USD, accounting 40% of the total amount. (Source: Ministry of Foreign Affairs, Japan (2012). “UNFCCC COP18: Outline and Evaluation of the 8th Meeting of the Parties to the Kyoto Protocol CMP8 <http://www.mofa.go.jp/mofaj/gaiko/kankyo/kiko/cop18/gh.html>. and “Japan’s Development assistance in the Climate Change sector by the end of 2012” <http://www.mofa.go.jp/mofaj/gaiko/kankyo/kiko/pdfs/assistance-to-2012.pdf> (Websites checked on December 25, 2012)

strongly desired from at the preparation stage of the project/program so as the stakeholders can share information, discuss the expected outputs and impacts of the policies, and clear methods for monitoring and verification.

CCPL provided the GOI with fruitful lessons related to the above mentioned issues: BAPPENAS used the experiences of the monitoring activities in developing the MRV system of the actions specified in RAN-GRK/RAD-GRK. Moreover, the lessons could also serve for fund raising through the NAMAs registry system and MRV in other developing countries.

It would have been relevant to assess if a “change of mind” of officers/administrators of each ministries/agencies and/or modifications of procedures to better take into account CC issues was observed as a result of the ICCPL. Unfortunately, we are not able to assess this point since a comprehensive body of evidence is missing, and anecdotal pieces of information are not enough to make a rigorous analysis³⁹. Extensive interviews with staff from various ministries would have been needed, but because of the high turnover in ministries, the lack of institutional memory and the expressed reluctance to burden the same officers that had already been interviewed by the first evaluation team, we could not run such an analysis in a thorough way.

The ICCPL had an impact in the mainstreaming of CC issues to the extent that it contributed to maintain and crystalize the CC momentum sparked by the UNFCCC 13th Conference of the Parties in Bali. It also enshrined the legitimacy of BAPPENAS in the CC decision making and resource allocation process. However, we could not perceive any improvement in terms of public discussion about the CC.

4.1.3. What were the immediate results of the ICCPL?

Besides the above initiatives toward the mainstreaming of climate change issues in the GOI's ministries and agencies, a number of legal developments, institutional/financial reforms, and on-the-ground activities were carried out. The ICCPL Policy Matrix have covered substantial part of such initiatives, if not all, and specified their yearly and medium-term targets. The highlights of progress observed in the sectors covered in the Policy Matrix are as follows.

Key Policy Issues

The policy actions set for the area of Mainstreaming Climate Change in the National Development Program aimed at attaining the outcome target “Climate change program is implemented in all related ministries towards the achievement of national target (26% GHG emissions reduction from BAU in 2020)”. Progresses include:

- *Indonesia Climate Change Sectoral Roadmap (ICCSR)* was finalized in 2010;

³⁹ For instance, an officer of the Ministry of Forestry acknowledged having opposed the creation of Forest Management Units (FMUs) (and hence the involvement of the Ministry in the CCPL) on the basis of duplication with existing bodies. However, the interviewed person changed her mind after seeing how effective FMUs were and now advocates for their further implementation.

- *Indonesian Voluntary Mitigation Action* was sent by GOI to UNFCCC in 2010;
- Based on the concept of NAMA, Guideline of *RAN-GRK* was issued in 2011;
- The presidential regulation no 61/2011 on *RAN-GRK* was issued in 2011;
- Draft of *the National Strategy for Mainstreaming Adaptation* was completed in 2011; and
- RAD-GRK was prepared in 29 provinces (as of January, 2013), and in all 33 provinces (as of June 2013).

The policy actions set for the area of **Financing Scheme and Policy Coordination for Climate Change** aimed at attaining the outcome target “Policy coordination on climate change is enhanced and linked to National Budget and Planning processes”. Progresses include:

- *ICCTF business plan 2011-2020* was prepared in 2011;
- The standard operation procedure (SOP) for ICCTF was revised in 2011;
- A study on Performance Based Budgeting (PBB) was conducted in 2010, and PBB was introduced in 2011; and
- Studies on incentive mechanism were conducted in 2011.

The policy actions set for the area of **GHG Emission & Absorption Measurement Inventory** aimed at attaining the outcome target “Monitoring mechanism for carbon emissions and absorption is established through National GHG Inventory System”. Progresses include:

- The GHG Inventory System (SIGN) unit was established in 2010;
- Presidential Regulation 71/2011 on National GHG inventory was issued in 2011;
- For further implementing National GHG inventory, the general guideline of inventory was completed in 2011; and
- The SIGN Center was established in 2013.

Forestry

The policy actions set for the area of **Forest Management and Governance** aimed at attaining the outcome target “Forest governance and management is improved through the establishment of improved rules on FMUs, financial scheme for local governments, and timber legality”. Progresses include:

- 59 model FMUs have been established at site, along with the development of regulatory framework for FMU for supporting the implementation of FMUs in provinces and districts.
- Mechanism of Forestry DAK has been improved regarding areas and activities eligible to be funded, along with issuance of Technical Guidance of Forestry DAK for FY 2012.
- Timber legality verification system (SVLK) has been developed to assure timber legality.

The policy actions set for the area of **Peatland Conservation** aimed at attaining the outcome target “An institutional and regulatory framework to conserve and restore peatland is improved”. Progresses include:

- Government Regulation on Lowland and Government regulation on Protection and Management of Peat Ecosystem were prepared, and are currently under policy

coordination process.

- The map of Peatland Hydrological Unit in Sumatra was produced.

The policy actions set for the area of **REDD+** aimed at attaining the outcome target “Emissions from deforestation and forest degradation is reduced through the implementation of a national REDD framework”. Progresses include:

- Presidential Instruction No. 10/2011 (Inpres No. 10/2011) on the moratorium was issued in May 2011 and MOFR has produced a series of the moratorium indicative map (*PIPIB in Indonesian*).
- National Strategy of REDD+ was finalized in June 2012 by REDD+ Task Force.

The policy actions set for the area of **Afforestation and Reforestation** aimed at attaining the outcome target “Carbon sink capacity is increased through reforestation activities”.

Progresses include:

- The 100 thousands ha replanting program has been completed and technical design was developed for another 100 thousand ha.
- A ministerial decree SK.07/Menhut-II/2011 on forest land allocation for timber plantation was issued in January 2011.

Energy

The policy actions set for the area of **Renewable Energy Development** aimed at attaining two outcome targets:

- 1) Improve energy security and reduce future GHG emissions from electricity generation through new geothermal projects within an improved policy framework for private sector participation; and
- 2) The promotion of renewable energy development is improved by monitoring, evaluating and revising the new regulations.

Progresses for the outcome target 1) include:

- A Geothermal Exploration (Revolving) Fund created in 2011; and
- FIT for geothermal Power Producer introduced in 2011.

Progresses for the outcome target 2) include:

- FIT for biomass, biogas and MSW was introduced in 2012; and
- Preparation of FIT for solar and wind has progressed to be introduced in 2013.

The policy actions set for the area of **Energy Efficiency** aimed at attaining two outcome targets: 1) GHG emissions are reduced (or strategies for reducing GHG emissions are formulated) by enhanced energy efficiency in energy intensive sectors through the use of new technology and the rehabilitation, renovation and replacement of existing facilities; and

2) Demand side management becomes a major part of government regulations and eventually contribute to fiscal budget management. Progresses for the outcome target 1) include:

- MOI's Grand Strategy for energy conservation in the industrial sector with financing from Indonesia Climate Change Trust Fund (ICCTF) was introduced and its first phase covering energy conservation and emissions reduction in 35 steel industries and 15 pulp and paper companies was implemented; and
- MOI Technical guidance for emissions reduction in cement industry was issued in 2011.

Progresses for the outcome target 2) include:

- The master plan for energy conservation (RIKEN) was prepared (its issuance is subject to the issuance of National Energy Policy (KEN); and
- Procedures and prerequisite performance test for Energy Saving (CFL) lamps introduced.

The policy action set for the area of **Pricing** aimed at attaining the outcome target of "Energy consumption is better controlled by a more cost-oriented pricing mechanism, contributing to reducing both GHG emissions and energy subsidies". Progresses for this outcome target include:

- The roadmap for energy subsidy was completed in 2010; and
- The electricity subsidy was reduced in the APBN 2012 by Rp 20 trillion compared with APBN 2011.

Transportation

The policy actions set for the area of **Overall Transportation Policy** aimed at attaining the outcome target "Transportation policy is enhanced enough to avoid deteriorating traffic congestion". Progresses include:

- The Jabodetabek transportation master plan was revised in 2011; and
- The Presidential Regulation for the Jabodetabek Transportation Authority (JTA) was drafted by 2011.

The policy actions set for the area of **Modal Shifting** aimed at attaining the outcome target "The increase rate of car users remains at a low level, and is less than that of users of public transportation". Progresses were made in 2010 with slight delay as follows:

- Development of Bus Rapid Transit (BRT) in two cities; and
- Improvement of pedestrian facilities and bicycle lanes.

The policy actions set for the area of **Traffic Management** aimed at attaining the outcome target "Traffic management is enhanced enough to avoid deteriorating traffic congestion". Progresses include:

- The Area Traffic Control Systems (ATCS) were introduced in Bogor and Surakarta in 2010; and
- The arrangement for Electronic Road Pricing (ERP) was specified in the Government Regulation 32/2011 on Traffic Management in 2011.

Adaptation

The policy actions set for the area of **Climate Forecasting and Impact and Vulnerability**

Assessment aimed at attaining the outcome target “Strengthening of institutional and regulating framework and capacity for scientific research on adaptation”. Progresses include:

- The Climate Modelling Scenarios were developed by 2011;
- The Climate Database was developed by 2011;
- Vulnerability assessment studies have been continuously carried out; and
- The Indonesian Global Ocean Observation System (INAGOOS) was established in 2010, and its Strategic Plan during the period from 2011 to 2014 was issued.

The policy actions set for the area of **Water Resource Management** aimed at attaining the outcome target “Improving water resource management including climate change adaptation measures specifically in nationally strategic river basins”. Progresses include:

- Strategic assessment of the future of water resources in Java island *was conducted* in 2010;
- Provincial Water Resource Councils have been conducted since 2010;
- The integrated water resource management plans (POLA) with climate change assessment have been developed for the national strategic river basins in Java island since 2008; and
- The River Basin Master Plans have been prepared since 2010.

The policy actions set for the area of **Agriculture** aimed at attaining the outcome target “Strengthening of institutional and regulating framework to improve resilience of farm production and reduce drought risk”. Progresses include:

- The System for Rice Intensification (SRI) have been carried out since 2007;
- The Climate Field Schools Programs (CFS) have been carried out since 2007;
- Land management without burning have been carried out in 2010;.
- The Presidential Instruction on the security measures for rice production in facing extreme climate was issued in 2011; and
- Technical guideline on CFS/SRI has been issued each year by the responsible institutions at MOA and BMKG, respectively.

The policy actions set for the area of **Marine, Coral and Fisheries** aimed at attaining the outcome target “Strengthening of institutional and regulating framework to manage coastal zones and small islands”. Progresses include:

- The Climate Resilient Village Plan for coastal areas was developed in 2010;
- The Coastal Vulnerability Index was developed by 2010; and
- Research on the variability of CO₂ flux, and updating of the Strategic Plan for Blue Carbon Research was carried out in 2010 and 2011.

Given that the ICCPL was not advertised as such, there is no direct result on the diffusion of data that can be directly linked to the ICCPL. Nevertheless, the interviews showed that the monitoring and the capacity building for GHG measuring provided by the ICCPL improved the quality of the data on CC. The BMKG Early Warning System, included in the ICCPL Phase 1 policy indicators, has reinforced the quality and diffusion of CC data.

4.2. Impacts on climate change development related issues

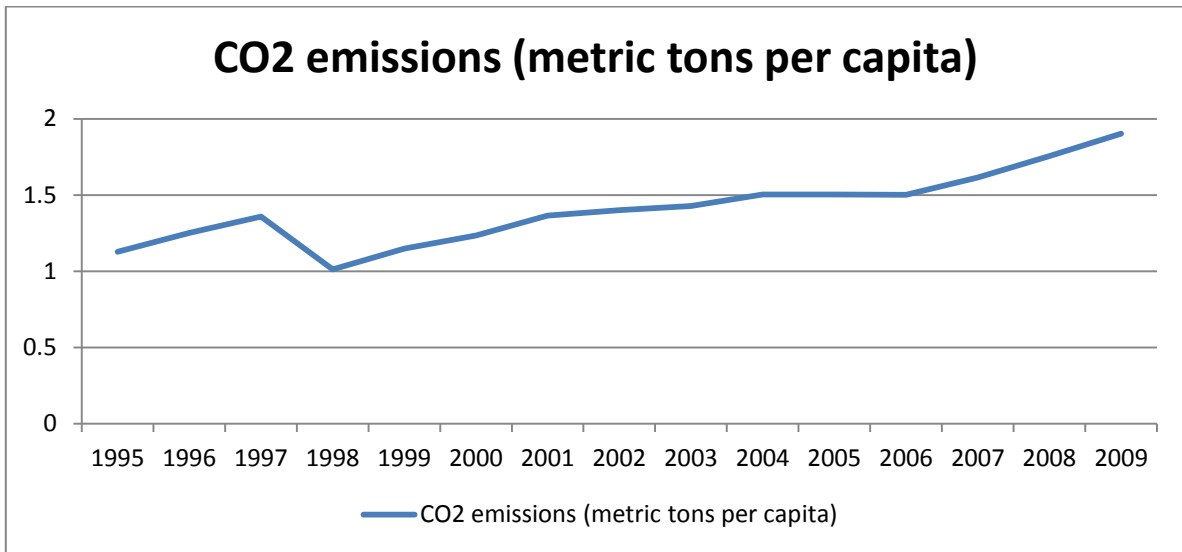
4.2.1. To which extent were there changes in the mitigation and adaptation to climate change and can they be related to changes in the political or government policy processes, and / or to other external or internal factors?

According to the latest data available the CO₂ emissions have been growing from 341 million t in 2005 to 452 million t in 2009 (WorldData, WB 22/6/2013). Moreover, (see Graph 4.2-1) since the end of the 1997, the CO₂ emissions per capita have been growing steadily to 2009. However, the impact of the implementation of mitigation policies is likely to be observed after long delays.

Nevertheless, on April 18, 2013, Environment minister Balthasar Kambuaya said Indonesia had cut 18 per cent of its greenhouse gas emission since last year, out of its total 26 per cent target in 2020 (presidential regulation no. 61/2011 on the National Action Plan on Greenhouse Gas Emission Reduction)⁴⁰. The minister said the ministry can achieve the figures after implementing several programs such as Proklim project, trash and waste management project as well as transportation and industry sectors management, and underlined other efforts such as through mass trees planting. Moreover, the Minister mentioned that only 21 districts throughout Indonesia have calculated greenhouse gas emissions, and added: "For districts that have not made calculation, please do so, because we want to know how much gas emission that we have reduced concretely," casting some doubt on the relevance of the global figures, and on the involvement of the local governments in the process of fighting CC.

⁴⁰ <http://www.antaraneews.com/en/news/88519/indonesia-reaches-18-emission-reduction>

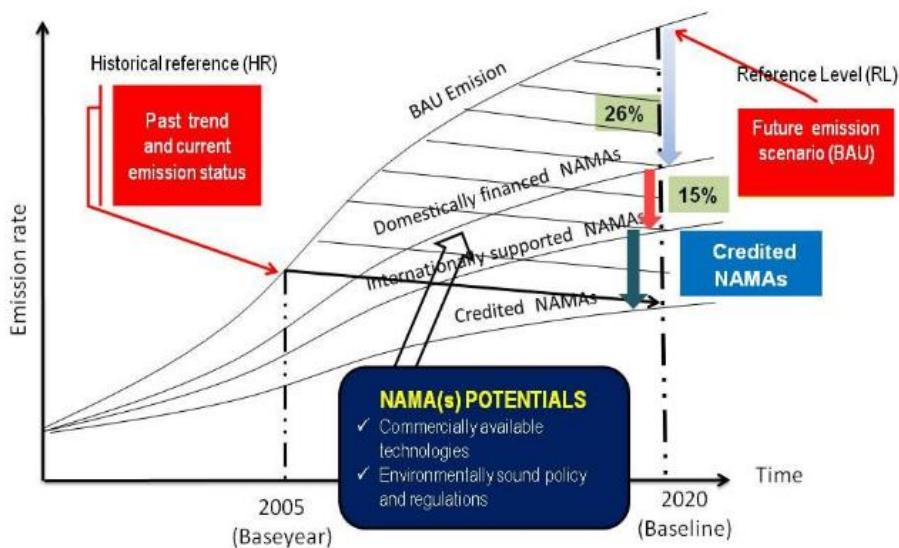
Graph 4.2-1: Indonesia, CO² emissions per capita



Source: World Bank, World Databank, 10/06/2013

Graph 4.2-1 is difficult to compare with the BAU scenario and the targets for 2020. Nevertheless, the Figure 4.2-1 shows that in order to reach the objective of reducing GHG emission by 41%, the CO₂e emissions should remain more or less stable with regards to their level in 2005.

Figure 4.2-1: Emission of CO₂e according to different scenarios



Source: Helmy (2011)

We must not forget however that in parallel to the ICCPL there has been significant funding towards CC from the other donors, mainly taking the form of grants and TA.

The lack of accurate and precise data on the evolution of GHG prevents us from making a correct assessment on their decrease (or increase), but a clear improvement of the ways to manage the CC can be observed through the period under consideration.

4.2.2. To what extent do we see changes in the involvement of enterprises, local governments and other entities in the CC policies?

The ICCPL amounts to supporting a change in the incentive system, in order to modify the behaviours of private and public actors to improve mitigation and adaptation to CC. Only a few of these actors have been involved in the ICCPL process.

As a big part of the documents of the coordination bodies of the ICCPL have not been made public (like the minutes of the Steering Committees), most actors are not aware of the ICCPL as such, even if they have a good knowledge of the programs and projects of the GoI.

However, it should be noted that the achievement of policy indicators on mainstreaming CC and on development of institutional and regulatory frameworks related to the issues such as FMU, REDD+, timber legality, peat-land management, geothermal development, energy conservation in cement and other industries etc., did affect activities of private enterprises, local governments and civil societies, including NGOs and indigenous people.

To the extent that ICCPL contributed to symbolize the commitment of the GoI to fight CC (somehow limited by the commitment of the GoI not to borrow for CC), it succeeded in convincing private actors to take steps to CC mitigation or adaptation. The continued pressure of national and international NGOs reinforced this trend. As a result, for instance, an Indonesian firm, Asia Pulp and paper group did commit on 1/2/2013 to stop deforestation.

Other private firms are taking similar steps, as shown by anecdotal evidence reported by the media: “Recognizing the need to halt this development, logging and palm oil companies are now working with environmental groups and local governments to establish orangutan rescue task forces to help protect these magnificent creatures. Even Greenpeace, long critical of the destruction of Indonesia’s rainforests, has praised firms such as Golden Agri-Resources, the world’s second-largest palm oil plantation company. Golden Agri-Resources has launched a conservation pilot project to protect high carbon stock forests in Indonesia. That such efforts are now underway bodes well for the country and the environment. We applaud this development as it ensures the preservation of our forests without sacrificing economic growth” (*Jakarta Globe*, March 14, 2013).

To sum up, there is no significant increase in the participation of the civil society in the CC policies, but the local government saw its involvement increase, especially with the RAD-GRK, and some private firms did take steps towards better taking into account impacts on the environment and biodiversity.

4.2.3. To which extent are the processes and the results induced by the ICCPL sustainable?

The structures directly put in place for the management of the ICCPL are not supposed to be sustainable as such. At the opposite, the processes and permanent structures related to the ICCPL should develop even after the stop.

In terms of climate change policy, the key features, as already mentioned, of the ICCPL were the mainstreaming of climate change issues in Government policy decisions across key sectors, and the maintenance of momentum of measures to address the impact of climate change including, notably, steps to reduce emissions from peat fires and forestry (through strengthened governance, regulation and surveillance), and to contain the growing emissions from fossils fuels through promotion of energy efficiency measures and the growth of contribution from renewable energy sources (including further harnessing of geothermal and hydroelectric resources). Of growing importance also was the growing significance of climate change management in the planning of key development sectors, especially agriculture and fisheries, both of which are central to rural livelihoods and poverty reduction, and forestry. Also relevant is the management of energy and transportation sectors, important elements in the promotion of industry, a central feature of plans to stimulate future sustainable economic growth and employment creation.

With the RAN and RAD-GRK, the ICCTF and the growing number of CC initiatives spurring from the GoI, we can consider that the change in CC policies was fully integrated by the GoI. Furthermore, the initiatives to include CC policies in the mid- and long-term development plans will ensure the results' sustainability.

The GoI has fully claimed ownership of the CC policies and it would take an event of significant magnitude in order to disrupt this path. However, we should point out that the sustainability of the processes induced by the ICCPL can be threatened by factors such as a radical change in GoI's priorities, which would redirect the resources away from CC concerns. Whereas the results induced by the ICCPL are concerned, their sustainability stems from that of the processes.

Chapter 5 Step 3, examining the links between GBS and the performance of the government strategy

Step 3 is based on the findings in step 1 and 2, step 3 and aims at crossing the two first steps, to identify links and relationships between the inputs provided through the ICCPL programme and those changes in results that occurred at global and sectoral level that might related with the inputs provided by AFD and JICA.

This chapter presents firstly a summary of the relationships and influence chains that have been discussed earlier, and then presents some more detailed answers to the evaluation questions.

These assessments have to be taken cautiously, because the counterfactual (what would have happen if the ICCPL had not been provided) is somehow unclear, firstly because the commitment of the GoI was already strong before 2007 and, secondly, because the main inputs were policy dialogue and TA, not money. For this reason, any judgment entails a significant part of subjectivity.

In other BS evaluations, authors sometimes resort to econometric analysis in order to assess the importance of the BS program in the attainment of results. If this approach has been widely used in the assessments of BS for poverty reduction and it has its merits, we do not agree with using it in the ICCPL evaluation for two reasons. Firstly, the methodology for these econometric analyses is not robust and consists mainly in adding a dummy for the years when BS has been provided, in a cross section or panel dataset. In addition to the econometric issues this entails, in the case of climate impacts, numerous other factors might have a significant influence on the climate outcomes thus inducing an omitted variable bias. Secondly, climate impacts become measurable only in the long term. This poses two problems. On the one hand, the timing of this evaluation is too early to be able to capture any change in the climate issues such as GHG emissions. And on the other hand, any econometric analysis should be based on an extensive time-series dataset on related environment issues, which, to our knowledge, is unavailable in Indonesia.

This section aims to assess the ICCPL contribution to the institutional changes that were mentioned as indirect outputs and played a key role in attaining the results and impacts detailed above.

5.1. Was the ICCPL relevant?

Discussions on the ICCPL began in 2007 at the time that the Government was developing its *National Action Plan Addressing Climate Change*. This document, itself a product of Indonesia's participation in the international debate on climate change and the need to adopt policies to manage its longer term impact on growth, living standards and development, as

evidenced during COP 13 hosted by Indonesia in Bali, laid the foundation for a three pronged attack to a) reduce Indonesia's contribution to climate change by offsetting or reducing its high level of GHG emissions (because of its LULUCF activities, third highest in the world); b) adapt the development strategies of sectors and communities most vulnerable to the effects of climate change; and c) ensure the mainstreaming of climate change considerations across all Government policies and civil society partnerships, particularly those targeting enhanced poverty reduction, strengthened economic development, and more equitable provision and access to improved social services.

This 2007 CC NAP provided the framework for the ICCPL policy dialogue, initially with JICA but subsequently also with AFD (and later with IBRD and AsDB), and also defined much of the policy matrix agreed in the 2008 loan agreements (covering 2007-2009), extended and amended for the 2009 loan agreements. In this sense, it is evident that the substantive content of the ICCPL agreements, insofar as climate change policy was concerned, was highly relevant, given that the overt aim was to support Government implement its response to climate change strategy.

Given that the 2007 CC NAP was taken forward through various documents (the DPRCC in 2008, the SNC in 2009, and the ICCSR in 2010) through 2009 to 2010, and given that the President's declaration of targets to reduce GHG emissions in 2009 was taken forward through the ICCSR in 2010, RAN-GRK in 2011 and the RAD-GRK in 2012, there is a continuous stream of sequential policy statements and action plan commitments that, with more specific programmes (such as for improved forestry management and energy efficiency) provide a consistent, and in some senses pioneering, agenda for Government's approach to climate change. In step with this, the logic of the ICCPL policy matrices (in a sense carrying disbursement conditions) reflects developments in and actions towards the implementation of Government led climate change policies, including Government's own commitment to mainstreaming climate change across all social and economic policy (with climate change issues as areas of intervention and objectives in the MDTP, annual action plans, and in 2012 introduced as a crosscutting classification in budget codes). This suggests that the ICCPL has had a continuing relevance, not merely through 2008-2010 when financing agreements were signed but also through 2011, when they were not, and into 2012 when Government developed its own matrices under RAD-GRK, continuing the dialogue and monitoring of performance as under the ICCPL.

5.2. What was the result of the ICCPL? Has there been a change in the implementation of climate change policies, or on climate change impacts, that can be clearly considered a product of the ICCPL?

The observed change in terms of CC policies that can be considered the product of the ICCPL is not in terms of direction (since the supported policies were already on the agenda), but in terms of tempo. On the one hand, the provided inputs created the opportunity to carry out the ministries' coordination mentioned in the outputs and this resulted in the mainstreaming of CC issues at the government level, thus accelerating a process that was already in place, but that needed a boost in order to be completed.

On the other hand, the TA that was part of the package improved the existing tools that contribute either to the evaluation of the efficiency of CC policies (ex: monitoring, capacity building for GHG measurement, sectoral studies), or directly to fight climate change (ex: the support to FMUs).

Finally, drawing on the ex-post evaluation report for "Indonesia: Development Policy Loans (I)-(IV)" made by Shimamura, Wakasugi and Sugimoto (2010), and limiting its scope of analysis to the ICCPL, we can say that by the ICCPL performed: (1) a "push up" function impacting on the Indonesian government's reform initiative itself, through supporting champions within the government; (2) a "symbolizing" function to demonstrate the strong commitment of the government towards reform, both in and outside the country; and (3) a "coordination" function to formulate an institutional framework for reform implementation and to facilitate and strengthen coordination within the government. Therefore, responding to the Indonesian government's expectations for its own reform initiatives. Other assistance tools, such as individual project assistance, would not necessarily have been able to respond so fully.

5.3. Was programme lending the most appropriate instrument for achieving results in the area of climate change policies?

When judging whether the programme lending was the most appropriate instrument for achieving results in the area of climate change policies, we need to analyse each component of the programme: the financial loan, the TA and the political dialogue.

The issue of the "loan" aspect of the ICCPL was mentioned at various stages of this evaluation, especially when pinpointing the paradox of lending to a non-Annex I country. However, despite the opposition expressed by some of the local stakeholders, the interviews revealed that the Indonesian counterparts acknowledge that not all investments related to climate change can be made on a grant basis and lending is worth considering. Furthermore, since the ICCPL was conceived as a programme lending, the Donors had to be deeply involved in its implementation, especially in terms of coordination and monitoring. And it is precisely the quality of these interventions that translated into the positive direct and indirect outcomes regarding the improvement of policy process and that allowed for the attainment of results such as the mainstreaming of CC issues, in addition to the completed actions in the Policy Matrix.

TA has been dealt with in this report as a part and parcel of the ICCPL. It has been shown to be really effective, because it was targeted on the difficulties encountered by the Indonesian Public administration. It can be advocated that the effectiveness of the TA is enhanced by being part of a comprehensive support. However, when discussing the results, the question arises whether TA could have been provided as a separate kind of support. The fact that the TA programs are still on going after the end of the lending period support the hypothesis that the link with the comprehensive program is weak. The reverse proposition, that an ICCPL could work without TA is not supported by our findings.

Political Dialogue was crucial for reaching the results. It was only possible because significant amounts were at stake.

CCPL was the most effective instrument to mainstreaming of the CC policies, because it implies coordination of various stakeholders, which is not the case with Sectoral Budget Support or projects.

5.4. Was the level of the ICCPL as a whole appropriate, for achieving the result?

The level of the ICCPL was not linked with expenditure. It is difficult to say if the amount was enough to offset the transaction costs, as they have not been monitored or reported.

The amounts were sufficient to make AFD and JICA considered by the GoI as significant partners in the field of CC. It remains unclear if a lower amount could have bought the same result. One should remember that the amounts provided were actually small compared to the resources of the GoI, except during the crisis, because it was then difficult for the GoI to borrow from the markets.

However, if we take into consideration the ICCPL made to Vietnam by the AFD and JICA we notice that similar results⁴¹ might be obtained with a lower amount of funds (this is however debatable, because the context is different).

5.5. Should the ICCPL be replicated in total or in part in other countries, and under what conditions?

As the ICCPL has already been replicated namely in Vietnam, the question seems pointless, until comparative evaluations would allow to draw general lessons. A general problem for ICCPLs is obviously the difficulty to borrow for CC, as the Government will surely be criticised for doing so in spite of the international commitments of Non-annex 1 countries.

If a government would be willing to borrow for CC, donors should be ready to provide such a support, depending on the Government's degree of commitment and of its capacity to implement such a strategy. Donors should check⁴²:

1. The existence of a formal and informal commitment to fight CC.
2. The existing degree of mainstreaming of the CC strategy.
3. The technical capacity of the public administration and civil society.

Besides, in order to make the ICCPL package more attractive to Governments that are not willing to borrow for CC, a disconnection between CC and the loan should be considered. To be acceptable, attention should be paid to the concessionality of the loans (see recommendations below).

⁴¹ The CCPL Vietnam was not yet evaluated so our appreciation of its results is based on interviews.

⁴² More details are to be found in the recommendation section.

5.6. Synthesis of the results

As shown in preceding chapters, the influence of the ICCPL on induced outputs is easy to trace and positive, namely for mainstreaming the CC policies inside the Government. This may be depicted as the main achievement of the ICCPL. In this sense, it may succeed in speeding up the implementation of the policies but at a pace which is still slow. The failure to have any immediate impact on the energy subsidies illustrates this point. But even other achievements, like the setting of prices of renewable energy, did not yet result in a fully satisfactory incentive framework allowing attracting foreign investors, even if significant progress are to be recorded.

The following table summarizes the ICCPL contribution to the expected outcomes and results for the main focus sectors. This contribution was rated according to a five levels scale (Absent, Absent to Moderate, Moderate, Moderate to Strong and Strong). The rating was made according to i) what the expected outcome might have been in the case no ICCPL had been provided and ii) the agreed objectives as they were identified in the Policy Matrix.

Table 5-1: Summary table retracing the link from the inputs to the expected outcomes and impacts of the ICCPL

GoI's achievements	CCPL contribution
Macroeconomic stability	<ul style="list-style-type: none"> • The ICCPL helped to “finance the gap” when the credit market was under pressure ABSENT TO MODERATE CONTRIBUTION because the ICCPL didn't have the clear and direct objective of macro stability and it had almost no impact on it
Crosscutting issues	
Mainstreaming of CC issues	<ul style="list-style-type: none"> • By supporting and facilitating the design and implementation of CC action plans such as the RAN-GRK, the ICCPL assisted the GoI in the mainstreaming of CC issues • The ICCPL created a forum for dialogue that helped to develop and monitor the mainstreaming of CC into national development planning and GoI's agenda • The TA enhanced the coordination and communication among ministries to fast-track cross-cutting issues STRONG DIRECT CONTRIBUTION
Public Finance Management	<ul style="list-style-type: none"> • The ICCPL supported the integration of CC issues in the overall PBB framework • The ICCPL helped the identification of CC related public expenditure MODERATE CONTRIBUTION to the improvement of PFM

Mitigation	
Forest sector - Improvement of forest management and governance, peatland management, REDD+	<ul style="list-style-type: none"> • The ICCPL promoted the preparation of REDD+ policies and issuing of regulations relative to FMUs • Along with the TA, model FMUs were established and progress was made on the national strategy of REDD+ and the preparation of peatland hydrological unit map <p>MODERATE TO STRONG CONTRIBUTION since progress is still to be made especially regarding forest rehabilitation areas and the transparency and credibility of the monitoring process in the forest sector. Also, the presence of numerous Donors in the sector lowers ICCPL's additional contribution.</p>
Energy sector – renewable energy development, energy saving/efficiency, energy price reform	<ul style="list-style-type: none"> • The ICCPL pushed forward regulations relative to the geothermal energy price, tax incentives, energy subsidies and energy savings • It also helped issuing regulations on energy conservation and implementing national system of energy audits <p>MODERATE TO STRONG CONTRIBUTION because the sector still remains difficult due to the absence of a general regulation on energy and due to PLN's monopole</p>
Transportation sector – transportation policies, improve modal shifting and traffic management	<ul style="list-style-type: none"> • The ICCPL has supported the regulation on traffic management and engineering, as well as transportation master plan <p>MODERATE CONTRIBUTION since the objectives were not attained in time and the regulations left out some important elements (ex. Road-pricing levy)</p>
Adaptation	
Adaptation issues - Improvement of Water Resources Management, irrigation asset management, Understanding of the Climate Change Impacts and Vulnerability Assessment, Agriculture, and Marine, Fisheries and Coastal Communities	<ul style="list-style-type: none"> • The ICCPL helped improve the institutional and regulating framework for climate forecasting and impact and vulnerability assessment • The dialogue and the TA helped strengthen the institutional and regulating framework to improve resilience of farm production and to manage coastal zones and small islands • The TA linked with the funds of the ICCPL contributed to improve the water resource management <p>MODERATE TO STRONG CONTRIBUTION because the ICCPL indeed contributed to having stronger institution and regulation framework in the targeted sectors, but it had a significant support from line ministries</p>

Source: Authors

By providing a space for discussing CC, facilitating and strengthening communication within the government, the ICCPL had a strong contribution to the mainstreaming of the CC issue. Its contribution was however lower concerning the international visibility of the GoI's policy on CC, mainly due to the ambiguous position resulting from Indonesia's status as a non-Annex I country and the financial instrument chosen for the ICCPL.

The influence of the ICCPL is more visible in the two main supported sectors, LULUCF and energy. For LULUCF linked activities, the ICCPL played a significant role especially in the FMU implementation, but its contribution in the other sub-sectors has to be judged carefully given the institutional problems of the sector (bad governance, opaque functioning etc.) and the considerable amounts of grants and TA provided by the other Donors. Concerning the energy sector, the ICCPL had a strong impact mainly by urging some of the scheduled measures in terms of energy efficiency, but its overall influence was limited by the negative reactions of Indonesian Parliament to an eventual suppression of energy subsidies, largely promoted by the Donors. For the transport activities, the ICCPL influence was moderate, given the complexity of the sector. Adaptation being one of the focus points of the ICCPL, its “moderate to strong” contribution in the concerned sectors was mainly channelled through the strengthening of institutions involved in the fight against CC and the pushing-up of regulations designed to improve GoI’s proficiency in the field. Finally, we can say that the ICCPL had a moderate influence on the PFM resulting in a better identification of CC expenditure, but its impact on the macro stability is somewhat lesser due the marginal role played by the ICCPL and to an economic context characterized by high inequality.

Provision of TA contributed to improve the implementation of policy indicators in the context of Indonesian institutional settings by raising capacity at central and local level.

One of the most revealing evidence that the ICCPL’s inputs had a significant and sustainable impact on the mainstreaming of CC issues is the meeting of the TC and of the SC in 2012, after the end of the ICCPL. This shows the GoI’s commitment to pursuing its efforts towards improving its mitigation and adaptation strategies and to mainstreaming these policies. This also shows that the GoI appreciated the discussion and coordination framework provided by the ICCPL devices.

We should not forget that the results could be also driven by other factors than the ICCPL inputs (or even the GoI’s policies). Table 5-2 draws on Table 5-1 and provides a synthetic view adding a reminder that results may be influenced by other factors (historical, policies, international environment, other external support, etc.) in the last column.

Table 5-2: Synthesis table

Level of ICCPL contribution to	GoI Policies having contributed to	Development results	Other historical and/or policy interacting factors
Strong	CC mainstreaming	Better awareness of CC issues (line ministries, Firms, civil society)	International negotiations. International and National NGOs
Moderate to Strong	LULUCF	Reforestation, but continued illegal logging, Private firms stopping deforestation, taking biodiversity protection into consideration	Poor sectoral governance resulting in illegal logging
Moderate	International visibility of the GoI's CC policy	Symbolisation effect, but message undermined by the GoI's commitment to non-Annex I decisions	Ministry of environment International negotiations, Peers pressure. International and National NGOs
Moderate to strong	Energy (increased use of renewable energies)	Energy efficiency. But no immediate decrease in energy subsidies.	Civil society opposition to increasing energy prices
Moderate	Transportation	Efforts towards enhancing transportation policy to avoid deteriorating traffic congestion	Low administrative capacity Low incentive resulting in a limited impact target
Absent to moderate	Macro stability	Growth, but with increased inequality	Post 97 adjustment
Moderate	Public Finance Management	Better identification of CC expenditure. Transparency	PFM reform, Result based budgeting
Moderate to strong	Adaptation	Stronger institution and regulation framework in the targeted sectors	Support from line ministries

*Scale of judgement: Absent/Moderate/Moderate to Strong/ Strong / Very Strong

Source: Authors

At this point of our exercise, we have linked ICCPL's inputs with its initial objectives and expected results, which are mainly related to supporting the formulation and, to some extent, the implementation of climate change policies. The standard OECD approach would now investigate the link between the changes in the government's policies due to the BS and the observed results and impacts of these policies. However, the scope of our evaluation does not

go beyond this point since the very design of the ICCPL does not foresee an attempt to define objectives in terms of the impact of the mainstreamed policies. Moreover, to our knowledge, only limited information is available with respect to the CC policies' final impact in Indonesia.

Chapter 6 Key Conclusions and Recommendations

6.1. Key conclusions

The ICCPL was a pioneer in terms of CC funding. It was granted to a Government that was already very committed to fighting CC. It did act as a catalyst for the implementation of the CC policy in Indonesia. The ICCPL paved the way to the formulation of long term strategies such as RAN-GRK, RAD-GRK and RAN-API.

The monitoring and reporting allowed a better identification of challenges and obstacles to climate change policies in the relevant sectors of forestry, energy, transportation, and adaptation, and thus relevant solutions could have been proposed.

During the period 2007-2010, the GoI did pass various laws and regulations and made significant communications about mitigation CC policies in Indonesia. The continuous policy dialogue under the ICCPL played a significant role to strengthen the process as expected. Because of the involvement of line ministries in the process, the mainstreaming of the CC policy did improve, including some SOEs and even private firms. ICCPL made direct and indirect contributions to the progress in the mainstreaming of CC policies. The framework of the ICCPL has been effectively utilized toward generating improvements as follows:

- Improvement of coordination and information sharing among the stakeholders within GoI as well as with the development partners.
- Identification of the progress/attainments and obstacles/challenges of the CC policies in the relevant sectors of forestry, energy, transportation and adaptation
- Introduction of remedial actions for the challenges identified as well as formulation of further project assistance on the basis of the monitoring results and policy dialogue.

The policy dialogue between the GoI and donors is a tool for the revelation of the preferences of the Government and of the society, but also for identifying the constraints. This allows a better design of further support.

Nevertheless, the mainstreaming of the CC policy is not yet comprehensive. Namely, despite having been involved in the process of drafting the RAD-GRK, local governments, do not seem to take fully into account the challenges, even at the basic level of information and indicators, as it was pointed out during the interviews. The ICCPL could not play a major role in this case: it was difficult for the GoI to refer to it because of the Non-annex 1 countries' position not to borrow for CC policies. Upstream strategies including RAN/RAD-GRK and RAN-API could be further improved with more detailed actions plans based on the refined scenarios of mitigation/adaptation and by an enhancement of the GHG Inventory systems.

The outcomes and impacts of the policies are still to be seen. They are likely to come with a long time lag. In the short run the results are mixed in the sense that, globally, the GHG

emissions continued to increase, but there is no data allowing us to make a judgement on their evolution against the BAU. Furthermore, we also notice that the GoI did not succeed in eliminating immediately electricity subsidies, but progress had been made with regards to the ICCPL target, namely the finalization of the roadmap for subsidy reduction.

The ICCPL was based on an expressed demand for foreign financing in a financial crisis context. However, with time, the need for financing decreased (and so the interest paid by the GoI on new borrowing), rendering the external loan dispensable. At the same time, a debate on the low disbursement level of budget arose and the question of resorting to foreign borrowing in a context where national resources are underused became congruous.

The fact that the GoI did not want to continue the ICCPL as expected is thus troubling. Even more troubling is the asymmetry: the GoI decided rather suddenly to stop. At the same time, a growing number of Donors were ready to embark (JICA, AFD, then WB and finally ADB). This raises the question how a CCPL should be managed, taking into consideration the evolving context, like decrease in the interest rates, availability of foreign finance, presence or absence of pressure exerted by international negotiations on climate change, degree of influence of high-ranked government officials opposed to the ICCPL etc.

6.2. Lessons and recommendations for the design and implementation of climate change budgetary support

6.2.1. Lessons learnt for an effective climate change budget support

One of the crucial prerequisites for an effective climate change budget support is the creation of a common institutional framework for ministries and Donors in order to improve coordination and inter-ministry communication. In the case of the ICCPL, the main results in terms of mainstreaming are strongly linked to the discussions and coordination between ministries and Donors since it allowed to increase awareness regarding the CC issues at a higher level and also to highlight the challenges faced by the line ministries.

In the case of a CCPL, money might not be enough to ensure the effectiveness of the support. As part of the logic framework, an assessment should be made about the main constraints faced by the Government of the benefiting country. In some cases, the main constraint could be not financial, but about the effectiveness of the implementation process, for example. Providing money allows raising the financial constraint. Problems such as those of design and implementation of the policies are mainly related to the technical capacity of the public administration and to the linkages between this technical capacity and political decision making. For these reasons, providing TA (jointly with budget support) is a relevant way to improve the effectiveness of business support. Of course, money allows the country benefiting from budget support to buy consultants. Nonetheless, the involvement of Donors in providing TA may allow for a better inclusion of this TA in the political dialogue, in particular if this dialogue is focused on an exchange about the experiences of participating governments.

However, in the Indonesian CCPL, the loans were annual, and the TA multi-year. This non-alignment may be difficult to manage because in some cases Donors should be ready to delink these two components. In the case of JICA as well as AFD, the TA programs are still running even after the ICCPL ended. In the Indonesian CCPL, the loans were annual, and multi-year associated TA programs were provided. According to AFD, this discrepancy of timeframe between these two kinds of inputs could hamper consistency in the monitoring process.

Some of the persons interviewed during the evaluation shared the view that the TA was what attracted line ministries to the negotiation table. It turned out that this was not entirely true since most of the Donors present in Indonesia provide significant amounts of TA and one might say that the offer exceeded the demand. A more significant role played by the TA was the coordination and the identification of bottlenecks through the monitoring process. Indeed, the GoI did benefit from the comprehensive view on what is being done through TA on specific sectors.

For being effective, Technical assistance has to be in line with the government's requests. TA may be also counter-productive if the added value is not clearly perceived by the national officers in charge of the sector.

Later on the monitoring team entrusted information gathering to the local experts including the professors and researchers working at universities and local research institutes while they were not on the missions. This made their data collection more effective.

The policy dialogue based on monitoring is a key for success. It should focus on major issues for CC and be based on a small set of relevant indicators (see recommendations below). For better mainstreaming the CC issues, it should be really open and inclusive. Key issues, like energy subsidies should be part of the issues debated and compensations for losers could be financed temporarily. Monitoring provides a basis for political dialogue and helps bring to light the challenges. For this reason, monitoring should not spend too much time on collecting a long set of indicators. The monitoring should also act as an early warning system, trying to put forward the most important issues.

Donor's flexibility is important, because the context is rapidly shifting. The 2008 crisis was not forecasted, nor the change in the situation of Indonesia. For this reason, Donors should not react too strongly to small deviations from agreed policy implementation steps.

Another issue is the way Donors should behave in the case of events showing a significant deviation from the official CC policy (for instance huge deforestation programs linked with high corruption, GoI deciding to invest in GHG emitting power generation systems, etc.). In this case, according to us, Donors should be ready to implement an exit strategy. Otherwise, their credibility and their reputation are at risk). In the case of GBS, a similar issue arises when a government uses violence against the population, etc.

Nevertheless, as the minutes of the SC have not been made public, a part of the opportunities of this effort to increase awareness has been wasted.

The main achievement of the ICCPL is the mainstreaming of the CC issues and policies. For making this very effective, the design of incentives should be carefully tailored to the situation of the country. Line ministries have no “natural” incentive to cooperate with other ministries or even with the Government. This kind of incentive can be provided through increasing budget appropriations or, with Donors’ support, by additional TA or projects.

A programme such as the ICCPL can impact the relations between ministries by increasing in the influence of some of them. This was the case in Indonesia where the BAPPENAS saw the ICCPL as a means to secure its development plans and to pressure line ministries in respecting their commitments. It should be noted that the presence of a coordinating body (such as the BAPPENAS) with sufficient authority and capability is crucial.

The existence of a clear and publicly endorsed government commitment to fight CC is crucial for the implementation of a program such as ICCPL and for the sustainability of its effects.

High level policy dialogue has been a major achievement of the ICCPL, which should be replicated carefully. However, this top level policy dialogue has been closely related to technical policy dialogue, which fuelled its effectiveness.

6.2.2. Recommendations

a) Prerequisites.

Before granting a CCPL like program, Donors should check:

1. The existence of a formal and informal commitment to fight CC, and the consistence of these commitments with the global development strategy of the Government. Donors could take into consideration the Government’s position and the related declarations within the COP meetings, for instance, but also pay attention to how climate change issues are addressed in the ruling party’s political statements. Donors should also check to what extent this strategy is a general consensus (to avoid problems in case of a change in the political majority). This would allow identifying the trend of the CC related decision making and implementation in order to assess whether the change that may occur is due to the CCPL or to a pre-existing political will.
2. The existing degree of mainstreaming of the CC strategy. This amounts to checking the capacity of the coordinating body (BAPPENAS in this case) and its influence, but also the relationships between local and central governments and between ministries.
3. The technical capacity of the public administration and civil society. In particular, some attention should be paid to the quality of the BaU scenario and to the quality of the marginal abatement cost curve.
4. A clear and shared logical framework should be discussed before the beginning of the implementation of the ICCPL. This framework should include the evaluation questions of the final assessment.

In the case of the Indonesian CCPL, points 1 and 2 had already been taken into consideration in the program design. Point 3 has been taken into consideration to a certain extent and potential weaknesses in the quality of the data on CC have been pointed out during the implementation and evaluation of the ICCPL. Finally, point 4 has been left out and this has caused the problems we faced when assessing the ICCPL. The problem of data quality, measurement and so on would have been much more precise if this evaluation would have been made along the classical OECD lines, taking into account the final impact of the policies.

b) Policy dialogue

Policy dialogue needs careful design to enable discussions on the relevant agenda among the relevant participants. Coordination among the development partners involved in CC issues needs to be dealt with at the preliminary stage of the program. Top level policy dialogue should also be considered in order to achieve visibility and to ensure coherent negotiation positions.

b) Focus

The focus on specific sectors should be based upon an ex-ante assessment of the expected gains and an assessment of the economic, administrative and political obstacles. Priority should be given to sectors where the Donors hold an acknowledged expertise.

c) Time frame

The annual nature of the ICCPL makes it difficult to fully take into account the various steps that should be considered from the beginning in order to get some leverage and speed the process. The policy matrix covering three-years on a rolling basis is a good basis for day to day management, but CC is a long term process. For this reason, a participative long term strategy should be worked out from the beginning, in order to put the yearly programs in perspective. Multi-year programs would also allow for targeting additional benefits such as TA to those line ministries that are the most proactive for example, as it would allow for program disbursement and national budget calendar to be aligned.

To solve the opposition of long-term visions and short-term actions, it would be relevant to conclude partnerships that would be maintained over time. The risks of sudden stop or non-disbursement are likely to be mainly related to events like a lack of results (unsatisfactory indicators), institutional difficulties (political change, lack of leadership) or instrumental difficulties (not implemented TA program, lack of attractiveness of financial conditions). The switch from an annual loan to a LT partnership should then consider exit strategies relative to these risks.

d) Relations among local institutions

A budget support program is likely to modify the balance of powers among ministries and other government bodies. Therefore an ex-ante analysis of the expected institutional effects of the program should be carried out taking into consideration all inputs (money, TA,

institutional framework considered for the budget support monitoring). It should be assessed if the new incentive framework is likely to facilitate inter-ministerial cooperation in order to reach the targets of the program.

A special attention should be given to whether this shift in influence is likely to be positive or negative for the loan beneficiary and whether the effects are sustainable.

e) Involvement of all stakeholders

As the CC is a major issue for the society as a whole, one should try to involve all stakeholders, not only the public administration⁴³. This is the case for local governments, and elected bodies. The Steering Committee should hold public sessions with participants from the private sector, NGOs, associations of indigenous peoples, etc.⁴⁴. Increased accountability to the public could be improved by a participative evaluation framework⁴⁵.

f) Incentives

The ICCPL has no built-in incentive framework for the Government to speed up the implementation of its CC policy. There are no explicit triggers, which risks making the policy dialogue formal – even if the review of the indicators plays in some sense the role of triggers. A possibility would be to have a loan at market price, but with a possibility to get a grant to offset a part of the interest payments if some easy to verify targets are met (this kind of framework has been used in the field of immunization in Pakistan, WB providing a loan to scale-up immunization, and WHO providing a grant to offset the interest payments in the case of success. The grant could be provided by an institution distinct from the lender and the donor (third party enforcement).

Attention should be paid to the incentive structure for all entities involved in the policy dialogue (line ministries, local governments). Too much strain should be avoided when the action plans are implemented and the results monitored, reported and verified. Tangible benefits for those entities should be considered, including the provision of additional capacity building and TA.

g) Indicators

Only a very small set of indicators should be used for targets of the ICCPL, in order to limit to the minimum the administrative burden (collecting data beyond the sustainable national processes). All indicators should be reliable and rapidly measurable.

⁴³ Even if in most countries public sessions are not held when policy actions are prepared, it has been shown in some cases (namely in France with the “Grenelle de l’environnement”) that this approach is likely to enhance the national consensus on those issues.

⁴⁴ One should take into consideration the practical constraints this involves such as administrative burden for coordination and preparation of organising such a large scale meeting should be considered. This may require substantial donors’ supports, both technical and financial, which could take the shape of projects.

⁴⁵ Hein (2013) notes that a CC law is needed: “Since the 2014 presidential elections are just around the corner, a climate law would ensure the permanence of Indonesia’s mitigation effort, a climate law would ensure the permanence of Indonesia’s mitigation effort”

The idea is not to monitor closely activities, but to focus on outcomes and on the influence chain that produced those outcomes. The targets/indicators should be set with clearly defined methods and verification measures. These indicators should be SMART. (Specific purpose for the CC policy, Measurable - the information production process should be clearly identified from the beginning), the defined norms have to be Achievable, the improvement of an indicator has to be Relevant to the success of the policy, and it must be Time phased, which means the value of the outcomes are shown for a predefined and relevant period).

This recommendation would be even more relevant in case the ICCPL would consider the final impacts of the influenced policies.

h) Tools

Considering all tools available is important because BS is just one possibility. It could be considered among a set of interventions, like projects, TA, capacity building, etc. We can consider that BS is the most appropriate tool in a first stage, where mainstreaming and awareness is crucial. However, simultaneously or at later stages tools such as investment projects should be favoured since they are more easily accepted by the line ministries and civil society.

i) Reputation risks

A CCPL entails a reputation risk for donors, because of unexpected developments. Assume for instance that the targets set by the ICCPL matrix are met, but at the same time massive deforestation takes place, or investments in very polluting power generation (in SGBS, a similar risk is increasing corruption). This would be difficult to manage, and potentially detrimental to the image of the donors. For this reason, it could be considered to introduce in the matrix something like “negative pledge clauses”, or “negative triggers”, meaning that in some pre-set cases the disbursements would stop. Of course, these “negative pledge clauses” should not be managed in a rigid manner, but only implemented after thorough dialogue.

6.3. Methodological issues: assessing CCPLs using the 3 steps approach

Ideally an assessment of a development support activity should allow to establishing a link between inputs provided by the donors and the outputs, results and impacts accruing to the benefitting country. As in ex-ante evaluations, it could result in some kind of cost-benefit analysis. In the case of Budget Support, this is likely to be elusive, in particular because the results and impact are reached indirectly, through the implementation of the public policy of the benefitting country. For this reason, one has to rely on a “second-best” approach like the 3 steps approach, which cannot be seen as a magic bullet.

The 3 steps approach is useful for assessing CCPLs because it provides a framework for tackling the assessment issues in a comprehensive and logical way, which allows to asking the right questions. Without such a framework, a risk exists that the assessment would only consist in checking if the agreed outcomes are met or not, using the indicators. This is an important part of the assessment, but just a part. The 3 step approach allows going beyond this

narrow framework to assess i) to what extent the inputs provided by BS have been useful for reaching the targets and ii) to what extent the agreed outcomes have been conducive to better impacts. OECD DAC past experience has shown that the 3 step approach is generally not able to go further: “The methodology allows for a profound understanding of the contribution of Budget Support to development results in a given context, via its funding flows or its influence on country policies and implementation processes. It does not provide evidence for „attribution“ of such results neither to country policies nor to Budget Support” (OECD DAC 2011, p. 15).

Moreover, the 3rd step is likely to be less effective in the case of a CCPL than in an assessment of a standard budget support.

Step 1 is typically elusive in the case of a CCPL because the GoI could (most of the time) finance the same CC policy with other financing sources. This is because the GoI has an access to the international financial market (but this access is not always effective if the interest rate differential with developed economies is low). If the GoI is really committed to fighting CC (which is the assumption behind granting a CCPL) it could generally have undertaken the same policy steps without foreign support. So in this case, the main input is likely to be TA, which is much more difficult to assess because assessing the influence link depends usually very much on the interviews, and hence entails some subjectivity. Nevertheless, the BS plays also a non-financial role which is “signaling”. The foreign support for reforms may be important for the GoI to show that its policy has a large international support. Moreover, the BAPPENAS (and to some extent the Ministry of Finance) could call upon foreign pressure (matrix, triggers) to exert some pressure on line ministries and local governments in order to overcome opposition or procrastination. In the case of a CCPL, this is difficult because of the commitment of the GoI not to borrow for CC.

In the case of a CCPL, Step 2 is complicated because the impacts are likely to show only in the long run and because the measurement of the impacts (namely GHG emissions) is made with delays and without a third party check. Moreover, the assessment is made against a BaU scenario which may be irrelevant. However, these difficulties do not differ very much from the difficulties faced when assessing poverty reduction.

Step 3 also poses problems in the case of a CCPL. The outcomes and impacts on CC are related with the policies of the GoI, but also with other historical factors and international spillovers (this is why CC can be described as a Global Public Good). Disentangling what is due to policies and interventions of the GoI and other factors is not simple. Even if a positive influence link is established – which is likely to be the most common case-, it remains difficult to qualify the statements: is the link strong, medium or weak? This entails some subjectivity because the hard evidence is lacking. Even very simple policy decisions are tricky to assess using quantitative methods like econometrics. Finally, one should remember that the assessment has to be made against a counterfactual (what would have happened if the CCPL had not been provided?), and this counterfactual is not easy to build when a country might use its own resources for financing the activities undertaken, when ownership is strong and when the CC policy is granted a high priority by the Government.

To sum up, in our view the CEF and the 3 steps approach are suitable when the influence chain between inputs and outputs is likely to be identified. This is easier when triggers and outcome indicators are specific and measurable (triggers are usually set on direct outputs or induced outputs) (step 1). Triggers are not important per se for the assessment. They are important because the attention of the Government and of the Development Partners is usually focused on them, which may provide useful information.

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Appendix 1. Evaluation Methodology, CCPLs against Standard General Budget Support (SGBS)⁴⁶

One of the first frameworks for the evaluation of budget support was developed by DFID, particularly focused on the evaluation of the "tool" budget support as an instrument to help globally to reduce poverty (see DFID 2002 and ODI 2002). The DAC (OECD) released a methodology for assessing general budget support (European Commission, 2012), as a result of a series of earlier attempts made by bilateral donors and the European commission (EC).

This methodology assesses the relationships between inputs and outputs using five criteria: relevance, efficiency, effectiveness, impact, and sustainability. They were developed in a view of evaluating any development project. Their importance is undeniable, but this framework is too general for the assessment of a budget support program. For general budget support (GBS), a specific methodology has been developed. It will often be referred to this methodology as the "3 steps approach". We will present it rapidly in a first section.

This methodology has been tailored to Low Income Countries (LICs), where GBS usually aims at reducing poverty. We will present in a second section the differences between this type of GBS (we will call it Standard General Budget Support or SGBS) and the CCBS (Climate Change Budget Support).

One should remember that an ex-post assessment has to be made against a counterfactual. The output, outcomes and results have to be compared with a situation without GBS. This is difficult because one has to imagine what would have been such a situation, and it entails some subjectivity. GBS is also special from this point of view, because it comes as a support for a policy of the government. The eligibility to GBS begins usually with an assessment i) of the commitment of the government to this policy and ii) an assessment of the "quality" of the policy and the explicit or underlying strategy. The idea behind providing GBS is just to support the mainstreaming of the policy and to fasten the pace of reforms that the government would have undertaken anyways, even without support. Donors have to agree, through dialogue, on the policy of the Government, and are not supposed to suggest additional expenditure (they are financing the already decided program and the related expenditure). Indicators for monitoring and triggers for disbursements of the GBS are a set of indicators already considered in the Government's program.

⁴⁶ This Appendix is written to be used as a self-standing document. The scope is larger than the Indonesian CCPL. It aims at being a general discussion paper for the assessment of CCPLs using the 3steps approach.

The DAC OECD 3 steps methodology

Assessing GBS is by nature much more difficult than assessing projects⁴⁷. In the case of GBS, the link between inputs and results is elusive. Money provided under GBS is completely fungible. This makes the link between inputs and direct outputs very difficult to trace. Moreover, a change in policies supported by budget support (BS), be in the field of poverty reduction or climate change (CC), is likely to reach its objectives after a long period. The full impact of a change of policy in the field of education is likely to be observed only after twenty years or so. This is also true for, say, a change in the policy of power generation. The long delay is namely due to the length of the decision making process and of the implementation period.

The OECD DAC methodology is described in a document posted on its website in September 2012 (Evaluating budget support, methodological approach, EBS in the remaining of this document)⁴⁸. Several assessments of GBS following this methodology or a related approach are also available (OECD DAC Network 2011 provides a useful synthesis of three of them). The approach is based on a Comprehensive Evaluation Framework (CEF) and a Three Step Approach (EBS, p. 3).

- the *Comprehensive Evaluation Framework (CEF)* which sets out the hypothesized sequence of effects of BUDGET SUPPORT programs across five analytical levels (budget support inputs, direct outputs, induced outputs, outcomes and impact) included in – and interacting with – the overall national context within which budget support is provided, and;
- the *Three Step Approach*, whereby: i) Step One encompasses the assessment of the inputs, direct outputs and induced outputs of budget support (levels 1, 2 and 3 of the CEF) including the analysis of the causal relations between these three levels ; ii) Step Two encompasses the assessment of the outcomes and impact of the government’s policies, strategies and spending actions, which donors supported and promoted with budget support, and identification of the main determining factors of those outcomes and impact (levels 4 and 5 of the CEF), through policy impact evaluation techniques; and iii) Step Three entails an exploration of the contribution of budget support to the government’s policies, strategies and spending actions, which have produced the outcomes and impact identified in Step Two, to be carried out by combining and comparing the results of Steps One and Two.

The first level of the CEF is represented by the **budget support inputs** consisting in the financial contribution, the technical assistance provided and the political dialogue. The second level consists of the **direct outputs** of budget support which are mainly the improvements in

⁴⁷ We will not discuss here sectoral budget support (SBS). Actually, the difference between GBS and SBS is slight, if “real” SBS is considered. In both cases, the money flows through the Treasury, and is disbursed through the national procedures. In both cases, the indicators are chosen in a nationally owned strategy, global in the case of the GBS (usually a Strategy for the Reduction of Poverty) and sectoral in both cases.

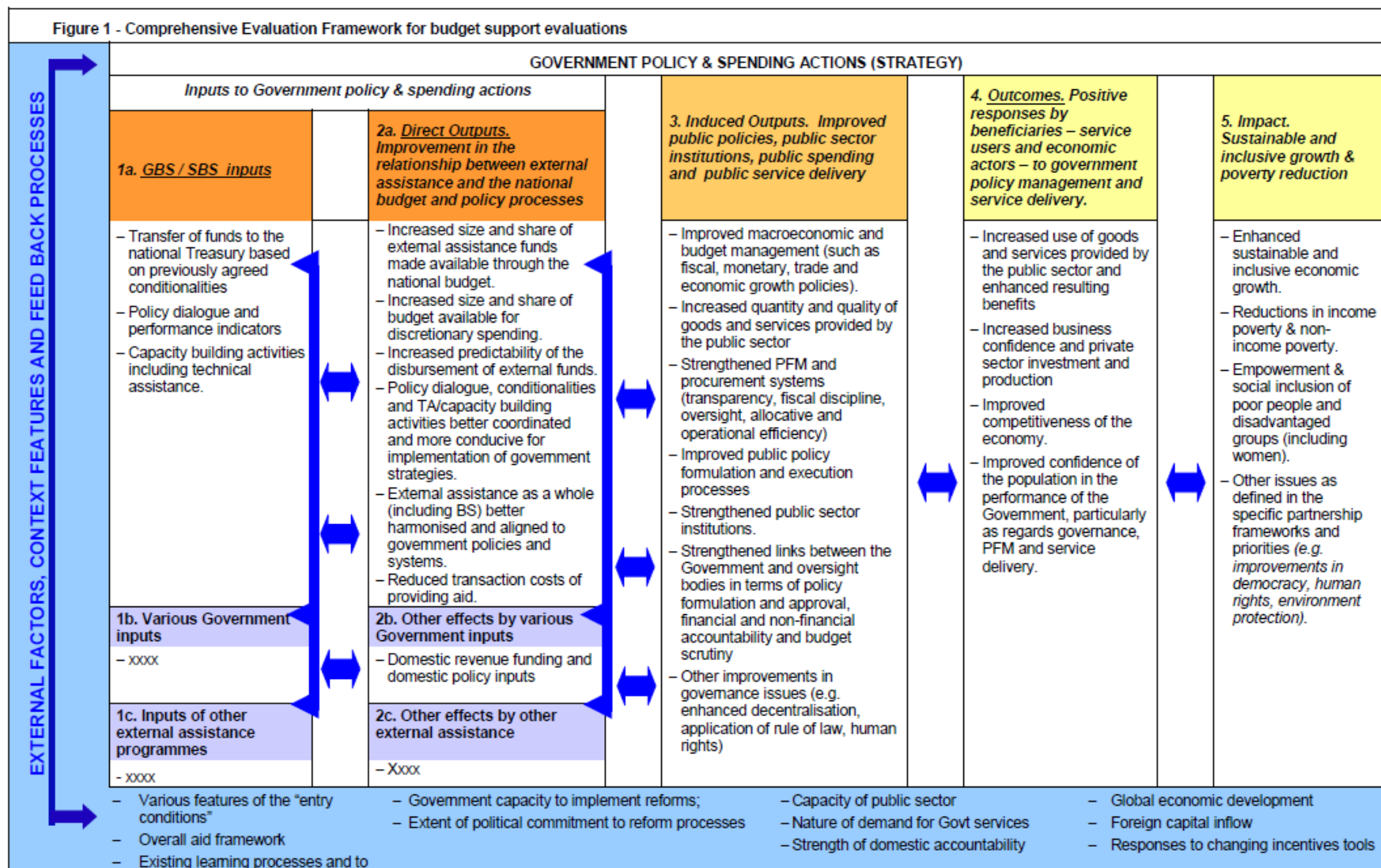
⁴⁸ Available at

http://www.oecd.org/dac/evaluation/dcdndep/Methodological%20approach%20BS%20evaluations%20Sept%202012%20_with%20cover%20Thi.pdf

the relationships between external assistance and the national budget and policy processes. Furthermore, the third level of the CEF is the **induced outputs** such as the expected positive changes in the quality of public policies, the strength of public sector institutions, the quality of public spending (increased allocative and operational efficiency), and consequent improvements in public service delivery. The fourth level comprises the **results** of the budget support programme, which are the envisaged positive effects at the level of final beneficiaries – service users and economic actors – due to improved government policy management and service delivery. Finally, the last level consists of the **impact** of the budget support which should be the envisaged positive effects on the issues and priorities specified in the program.

The CEF is described in the Figure 1 of the EBS (page 9) (see next page). Of course, in this document the expected impacts are mainly in terms of poverty reduction and inclusive growth. Nevertheless, sustainable growth is also mentioned, but is not the main focus of the evaluation.

Figure A1-1. Comprehensive Evaluation Framework for budget support evaluations



Source: DAC-OECD

The Three Steps are (ESB, p.14):

Step 1: Assessment of the inputs, direct outputs and induced outputs of BS (levels 1, 2 and 3 of the CEF) and analysis of the causal links between these three levels;

Step 2: Assessment of the expected and actual outcomes and impact as targeted by the government, which donors supported and promoted with budget support, and identification of the main determining factors of those outcomes and impact (levels 4 and 5 of the CEF);

Step 3: Exploration of the contribution of budget support to the government's policies, strategies and spending actions, which have produced and/or contributed to the outcomes and impact identified in step 2. This is carried out by combining and comparing the results of Steps One and Two.

Of course, the most difficult step is step 3. No specific instrument is identified⁴⁹ in the ESB, which states:

“the comparison between the results of the previous two steps, which will allow evaluators to identify and discuss the ”transitive relation“ between BS and the development results by highlighting consistencies, complementarities and possibilities of integration between the two steps and by assessing the significance of each of the chains of influence (BS → Government policies and interventions; and government policies and interventions → outcomes and impact targeted by BS). In this last step, the most significant BS effects (positive/negative/unexpected) highlighted in Step One will be compared with the most significant achievements (positive/ negative/unexpected) and the related determinants identified in Step Two. Possible strong or weak linkages will then be explored and the mechanisms through which they have (or have not) worked will be analysed;”

The preferred methodology for an economist would be to run a model describing the economy of the country, taking in consideration all relevant aspects of the links between inputs and outputs, with and without CCPL⁵⁰. Doing so is clearly impossible because some parts of the relevant linkages, namely the decisions processes are linked with political economy. Moreover there is no hard evidence allowing to put figures on the linkages. We have then to rely on second best, ad-hoc methodologies.

The standard methodology and the CCBSs

The CCBSs (*Climate Change Budget Support*) are a kind of GBS, but some differences have to be taken into consideration when applying the 3 steps methodology. Some of them are

⁴⁹ This is also the case of the EC guidelines for assessing the integration of environmental and climate change issues (EC 2009, page 40), which are very short (7 lines) and very elusive: “During evaluation, an assessment should be made of whether the SPSP effectively contributed to sustainable development, and whether the causal links between its inputs and development outcomes/impacts (including environmental impacts) have performed as expected, in order to learn lessons for the future. The evaluation should also assess whether the process of integrating the environment has been successful”

⁵⁰ This does not mean that sophisticated models are not useful for assessing some aspects of the policies implemented. See for instance Warr and Yusuf (2011).

linked to the issues at stake. In the standard case (SGBS), the recipient country is usually a low income country (LIC) and the BS is aimed at reducing poverty. In the case of a CCBS (the Indonesian CCPL being an example of such a support), the recipient country, so far, is typically a Middle Income Country (MIC) and the objective is twofold: mitigation and adaptation (see Box A1-1)⁵¹. In the future, a CCBS might be also considered for some LICs.

Of course, things are not so simple. Poverty is multidimensional, and usually the objectives are mainly intermediate outputs, like increasing the achievements in terms of primary education or basic healthcare.

Table 1 provides some characteristics of SGBSs and CCBSs, in order to show that the characteristics of these BS may differ (the table is just an illustration of some possible cases, in order to contrast the set of characteristics).

Table A1-1: Characteristics of SGBSs AND CCBSs for LICs/MICs

	LIC	MIC
Standard General Budget Support	<p>Objective: Poverty reduction by increasing public expenditure Typically financed by Grants Objective: Increasing the foreign resources of the Gov. and the effectiveness of ODA</p>	<p>Objective: Poverty reduction by innovative approaches Typically financed by loans (more or less concessional). Grants in some cases (EU)</p>
CCPL ⁵²	<p>Objective: adaptation to CC Typically financed by Grants (or concessional lending?) Increasing the foreign resources of the Gov. and the effectiveness of ODA</p>	<p>Objective: adaptation and mitigation to CC Typically financed by loans (more or less concessional). Resulting in a decrease of the cost of foreign borrowing Mitigation and adaptation</p>

Let us now consider the main differences between SGBS and CCPLs and their consequences for adapting the standard evaluation framework to CCPLs. Some of them are listed in Table 1: but some other differences are important in practice, like the role of triggers for disbursements, the ex-ante assessment of the policies to be supported, the importance given to macro-stability and the timing of the support (annual vs. multi-year).

⁵¹ Note in passing that developing countries have been reluctant to agree on the relevance of adaptation strategies. They feared that putting too much emphasis on adaptation would result in lower efforts by developed economies in the field of mitigation.

⁵² Under the framework of UNFCCC, “common but differentiated responsibility” CC support is not necessarily a grant-based assistance. For instance, WB provides loans for fighting CC in several countries where WB has board member from G-77.

Resources, foreign financing and public finance management

In the standard case (SGBS), the Government's budget is important, because the resources provided to the Government are supposed to be used (to some extent) to reach the objectives. For instance, some money provided by GBS is supposed to finance poverty-reducing expenditure like primary education and basic health. This is a reason why SGBS assessment puts an emphasis on assessing the Public Finance Management (PFM). ESB, p. 18 mentions that step 1 should take in consideration issues like "PFM and procurement systems (fiscal discipline, enhanced allocative and operational efficiency, transparency, etc.". In the case of CCBSs, the objective is mainly to promote a change of the incentive system in the country, in order to modify the behaviour of the private and public components of the economy (for instance by setting a profitable price for renewable energies).

In the standard case (SGBS), the Government is not usually able to borrow from international financial markets. It has to rely on public institutions for foreign financing. The amount is rather rigid in the short run, so the counterfactual is that without SGBS the Government would get no money from abroad, or the Donors money would have been spent in another way, for instance by financing projects or Technical Assistance (TA). In this case, the concept of a "financing gap" is relevant, because the Government face a shortage of resources. This is not always the case for MICs, because they may usually find on the market the amounts they need (in hard currency) for a reasonable level of expenditure. Nevertheless, in certain periods, they face credit rationing (and even an outflow of capital), so the concept of "gap" becomes relevant.

Moreover, in the case of LICs, the amount is important, because the Government usually would need more money than the amount that is available. This is the reason why standard assessments of budget support (BS) usually include evaluation questions like: "did the BS have had a catalytic impact on foreign financing?", "did the BS attract other financing?" etc. These issues are not generally relevant in the case of a CCBS to a MIC. Actually, too much foreign financing could result in an appreciation of the real exchange rate and a loss of competitiveness. This is namely the case when private capital inflows are high. Nevertheless, this could be an issue for a MIC when private capital (and sometimes public capital also) is flowing out of the country rapidly.

The CCBSs so far were granted to Middle Income Countries (MICs) which have an access to international financial markets. In this case, without CCBS the Government could borrow the money (if the amount is not very high and does not put as risk the sustainability of the public debt). From a financial point of view, the main difference between CCPL and routine market borrowing is the terms of borrowing (interest rate, duration and grace period). Countercyclical devices might be an added value of a CCBS.

The government of the benefiting country expects that a CCPS (or other kind of Budget Support loans) would allow him i) to get most out of unit amount of external funding (i.e. to achieve most policy and institutional effects as well as impacts out of given amount of funding) because of the flexibility of this source of funding, ii) to secure (diversify) possible

funding sources in case global economic crises and other external shocks would hit the economy, and to minimize such effects, recover quickly and secure economic stability⁵³

In the case of a Middle Income Country, the amount provided is not linked with expenditure but with some minimum threshold that has to be provided in order i) to be taken as a reference partner and ii) to be sure that the advantages will offset the transaction costs. The first point has already been made in the case of SBS to Tunisia (OECD DAC Network on Development Evaluation, 2011):

“Despite the limited direct impact of Budget Support receipts, the provision of financial resources has had significant indirect effects (credibility, window for dialogue...). To this end, it is recommended that the financing function of Budget Support programmes be not overlooked and that overall amounts be kept above a minimum threshold capable of ensuring that the Cooperation Partners are recognised as important partners, thereby allowing their participation to crucial dialogue processes”.

Given the size of the Government in emerging countries, this means that the amount has to be substantial. This makes difficult for Donors to consider Multi-year programs that would be rejected by the risk management procedures (the amounts might exceed the maximum allowed for a single country).

Conditionality and triggers

SGBS generally uses indicators to measure outcomes and impacts. A special set of indicators is used as triggers, benchmarks for the disbursements of the variable tranches. In the case of a CCBS, there is usually no variable tranche and no triggers as such⁵⁴, just indicators for measuring the outputs and impacts which are supposed to be used in the policy dialogue. This absence of triggers is justified by the idea that using triggers would damage or even destroy trust between stakeholders.

This makes CCBS very close to the “MDG (Millennium Development Goals) contracts” introduced by the EC (European Commission): during the first three years, no variable tranche was introduced, in order to enhance trust and predictability.

However, many practitioners insist on the relevance of the variable tranches for promoting policy dialogue. Of course, using triggers puts predictability of disbursements at risk. This is the reason why the EC introduced a special way to deal with this issue: in year n , triggers are measured for year $n-1$ (before the vote of the budget) and disbursed in year $n+1$.

This absence of triggers in the case of CCBSs makes evaluation harder, because in SGBS one can expect stakeholders to focus on the triggers. Moreover, the triggers are usually used as a device for the MoF of the recipient country to put pressure on line ministries. In this case the

⁵³ JICA provided Emergency Budget Support attached to the CCPL when global economic crisis hit the country in 2009.

⁵⁴ CCPL funds were released after confirming the substantial attainment of policy indicators in the $n-1$ year and agreement on the expected indicators in the $n+1$ (or $n+2$) years.

effort to reach the benchmark used as a trigger may be used to demonstrate a link between inputs and output.

Policies

In both cases (SGBS and CCBS), BS is aimed at supporting a pre-existing political will or a policy (more or less elaborated from a technical point of view), owned by the Government/the country. Donors then face a problem: how to assess the quality of the policy, and the (real) commitment of the Government to this policy? In the case of the SGBS, the poverty reduction policy (actually a set of policies) is to be presented in a Poverty Reduction Strategy Paper (PRSP). The quality of this policy is assessed by the Bretton Woods Institutions (IDA and IMF). Those institutions write a Joint Staff Advisory Note (former Assessment Note) presenting their views about the quality of the policies –which does not mean that they agree on all aspects of the policies. In the case of the CCBS, no such “delegation” of the assessment by the donors exists. This poses a problem because there are no agreed “norms” on what should be a good policy to cope with climate change⁵⁵ (except some improvement against the business as usual (BaU) scenario, which is rather vague). Moreover, in the case of the SGBS, there is an international agreement about the MDGs, providing guidelines about the desirable objectives of the policies (at least until 2015). In the case of CCBS, at the opposite⁵⁶, developing countries officially refused to be bound by quantitative objectives (this is referred to as the “common but differentiated responsibilities principle”)⁵⁷.

This may explain to some extent why in the case of CCBSs more emphasis is put on the commitment of the Government. The commitment of the Government is considered as a key variable, unfortunately difficult to assess. In the SGBS, the link between the policy and the budget - via a Medium Term Expenditure Framework – is often seen as an evidence of the ownership of the Government. This is not the case in the CCBSs, because of the weak link between policy and expenditure. One has to rely on i) the fulfilment of agreed targets ii) declarations of high ranking officers, iii) the publications of official documents, like strategies, programs, laws, regulations and iv) on official positions during the international negotiations.

According to the BS approach, the “country” is supposed to have the ownership of the policy which is supported. This is often understood as a requirement to get some involvement of the civil society and/or of the elected bodies, like the Parliament or the local governments. Nevertheless, in practice, civil society and elected bodies play usually only a minor role in BS procedures,

⁵⁵ Moreover, in the case of Indonesia, the policy considers both mitigation and adaptation. LICs are not significant greenhouse gas emitters, so the focus of their policy is mainly on adaptation.

⁵⁶ Actually, MDG7 reads: “Ensure environmental sustainability” and Target 7.A: “Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources”. Target 7.B reads: “Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss”. Nevertheless, no precise indicators are set. United Nations’ documents refer to the international agreements.

⁵⁷ Nevertheless, some Governments did it on a voluntary basis, like Indonesia and China.

Box A1-1. An “acceptable” policy for coping with climate change according to the Climate team of the AFD

Two stages are considered:

The first one is the eligibility stage. In order to be eligible for support, the country should be equipped with an institutional framework with, at least, an inter-ministry process to supervise the working out of the CC policy and monitoring its implementation. Moreover, the CC policy should be based on i) a recent “business as usual” (BaU) scenario with an estimation of future greenhouse gas emissions ii) a national target for reducing emissions against the BaU scenario iii) a set of sectoral strategies to reach the target iv) devices for monitoring the implementation of the policies.

If these requirements are met, the second stage amounts to verifying the relevance and the robustness of the national CC policy: i) robustness of the institutional framework and relevance of the monitoring tools ii) comprehensiveness and relevance of the diagnosis iii) relevance of the scenarios iv) level of commitment of the Government in terms of reduction of the greenhouse gas emissions

Source: AFD, “Ex post” n°47, page 24.

The difference between policies aimed at reducing poverty and policies aimed at fighting climate change is not crucial. In both cases, the results will be observable in the long run, and the idea is to mainstream a policy which is horizontal by nature. The support is mainly aimed at promoting the introduction of poverty/climate change issues into sectoral strategies. The difficulty is that in the case of BS this objective would be achieved by providing money to the Ministry of Finance (MoF). This could create tensions between the MoF (or the Ministry of Planning) and the line ministries. This is because most of the transaction costs (monitoring, gathering of information, providing indicators) bear on line ministries, who are not confident that they will get some benefits like increased budget appropriations. For this reason, line ministries usually are not very keen of budget support and would prefer projects, special funds, or any kind of targeted support.

Grants vs. Loans

SGBS is usually mainly financed by grants, or concessional loans. CCBS are financed by loans, some of them being concessional compared to market conditions. This poses a problem because the official position of developing countries (group of the 77) at the international level is that developed countries should finance climate change mitigation and adaptation by grants only because they are historically responsible for climate change.

At the opposite, the issue of the sustainability of the debt (public and foreign) is important in the case of the CCPL. The main problem faced by governments of MICs is the instability of foreign flows, meaning that counter-cyclical financing might come with an added value.

In a cost benefit approach, the cost of the CCBS should be weighed against the benefits for the receiving countries. Actually, the opportunity cost for the Donors is not the amount of the

loan, but the difference between the cost of borrowing of their Treasuries and the interest payments made by the recipient Government, less the transaction costs.

Macroeconomic stability

The SGBS should contribute to promoting macroeconomic stability, which is not the case in CCBSs. The SGBS is supposed to increase macroeconomic stability by providing stable resources, by promoting Medium Term Fiscal Frameworks and by taking an IMF positive assessment of the developments of the economy as a trigger for disbursements. At the beginning, SGBS was supposed to fill the gap of the Balance of Payments. It is now supposed to fill the gap of the budget. However, it provides at the same time hard currency for the economy and resources for the Government. For this reason, the assessment should take into consideration the impact on the budget and on the Balance of Payments.

The case of most CCBSs is different, because the macroeconomic impact is usually not considered as an objective. There is nevertheless a concern that the CCBS will not jeopardize the macro-stability of the country. This might be even more complicated when Donors provide at the same time Development Policy Loans (DPLs).

Time-frame

Most CCBSs so far amount in fact to a series of annual loans, with Multi-year TA. This is a difference with SGBS, which is usually a Multi-year program. SGBS was annual at the beginning, and the time period has been progressively extended to improve predictability.

This poses a problem for the assessment, because in the standard case, the objectives are known from the beginning for the entire programme.

In the case of a CCBS, the objectives and the Policy matrix is likely to change annually, the main element of continuity being the TA. The standard OECD assessment framework does not take into account this evolving and incremental pattern of the CCBS.

Moreover, even if TA is a part of the package, its time frame is different. TA goes on even after the end of the CCBS, showing some de-linking between both.

Summary: assessing CCBSs

According to previous analyses, the CEF of a CCBS has to be adapted to take the differences with a SGBS into consideration. It should look like the one presented in figure next page.

Table A1-2. CEF adapted to CCBS

GOVERNMENT POLICY 1 SPENDING ACTIONS (STRATEGY)				
Inputs to Government policy & spending actions				
1 Inputs	2 Direct outputs.	3 Induced Outputs. Improved public policies, public sector institutions, public spending and public service delivery	4 Outcomes. Positive responses by beneficiaries -service users and economic actors - to government policy management and service delivery	5 Impacts. Sustainable and inclusive growth
<p>1a GBS inputs</p> <p>1aa transfer of funds to the National Treasury</p> <p>1ab policy dialogue and matrix</p> <p>1ac capacity building activities including TA</p> <p>1b Various Gov inputs</p> <p>1c Inputs of civil society</p> <p>1d Inputs of other external assistance programmes</p>	<p>2a Improvements in the relationship between external assistance and the national policy process</p> <p>2aa lower cost of foreign resources</p> <p>2ab increased predictability of disbursements of external funds.</p> <p>2ac policy dialogue</p> <p>2ad advice and capacity building by TA better coordinated and more conducive for implementation of the government strategies</p> <p>2ae external assistance as a whole (including BS) better harmonised</p> <p>2b Other effects by various GoI input</p> <p>2ba Improved inter-ministerial coordination</p> <p>2c Other effects by inputs of Civil society</p> <p>2ca pressure on CC policy making</p> <p>1d Direct outputs of other external assistance</p>	<p>3a increased quantity and quality of goods and services provided by the public sector</p> <p>3aa Improvement of public management (energy, transportations sectors)</p> <p>3ab Mainstreaming of CC policy</p> <p>3b Improvement in incentives (administrated prices, taxation, monitoring), namely in forest sector</p> <p>3c Improved public policy formulation and execution processes</p> <p>3d Strengthened links between the GoI and oversight bodies in terms of policy formulation and approval</p> <p>3e Strengthened public sector institution (better governance)</p> <p>3f Strengthened accountability the GoI and budget scrutiny</p> <p>3g Other improvements in governance issues (enhanced decentralisation, reduction of corruption)</p> <p>3h Increased awareness of CC issues</p>	<p>4a increased use of goods and services provided by the public sector and enhanced resulting benefits</p> <p>4ba increased business confidence and private sector investment and production</p> <p>4bb decrease of abnormal practices</p> <p>4d improved resilience of the economy to CC</p> <p>4e Improved confidence of the population in the performance of the GoI, particularly as regards governance, service delivery and CC</p>	<p>5a Mitigation: reduction of GHG emissions</p> <p>5aa forest: afforestation, reforestation, reduction in illegal logging</p> <p>5ab Enhancement of energy efficiency, increased use of renewable energies</p> <p>5ad reduction of energy cost of Transportation</p> <p>5b Adaptation</p> <p>5ba Climate Forecasting and Impact and Vulnerability</p> <p>5bb Water Resource Management</p> <p>5bc Agriculture</p> <p>5bd Marine, Coral and Fisheries</p>
<p>Various features of the "entry conditions"</p> <p>Overall support framework</p>		<p>Capacity of public sector, Strength of domestic accountability</p> <p>Nature of demand for GoI services</p>		<p>Responses to changing incentives tools</p> <p>International negotiations and commitments</p>

EXTERNAL FACTORS, CONTEXT FEATURES AND FEED BACK PROCESSES

The differences between CCBS and SGBS do not imply many differences in steps 1 and 2. At this stage, the main departure from standard methodology would be to focus on non-financial inputs of the CCBS. The monetary input of the CCBS is not important per se, but the CCBS is important mainly as a tool for implementing the policy dialogue, the co-ordination framework and the technical assistance. As the BS is aimed at supporting a policy of the Government (which would have been undertaken anyway), the outcomes and impacts that are assessed in step 2 are those of the Government's policy that are targeted in the CCBS.

This should be reflected in the CEF of a CCBS. The overarching goal of a CCBS is to have a sustainable impact on GHG emissions and to make sure that the benefiting country, particularly its vulnerable people, increases its resilience to CC. For this reason, for the assessment to be valid, one should be confident that the expected impacts of a CCBS as described in the CEF are unambiguously conducive to those "fundamental" impacts.

In the case of the SGBS, the main links considered in Step 3 are usually financial: one tries to assess to what extent the induced outputs did result in some improvement in the outcomes and impacts. This is really tricky, because of the fungibility of resources. It is never possible to attribute precise results to specific inputs or to the BS.

In the case of CCBS, the difficulty is even higher, because financial resources are not an important input for producing the expected outputs. The most important inputs are policy dialogue, coordination of national and international players and technical assistance (TA). The link between this kind of inputs and the outcomes is rather difficult to assess. Moreover, the situation is complicated by the fact that the TA is scheduled according to a medium term approach, even if the loans are annual. For these reasons, the effectiveness assessment is complicated. The issue is relevant (could we have achieved the same results at a lower cost?), namely because a CCBS entails high transaction costs (preparation, monitoring, assessments of the program). Nevertheless, one cannot expect a clear-cut answer, as the link between inputs and outputs is somehow elusive.

Assessments of SGBS usually refer to the logical framework in order to trace the chain of influence that was considered (assumed) at the beginning. Nevertheless, i) some causal links might have been overstated or forgotten and ii) some unexpected results may have occurred, positive or negative. More specifically, the policy matrix and the changes in the policy matrix would be useful to trace the objectives and the causality links. Like in the standard DAC OECD approach, we will focus on the objectives in terms of CC. The other determinants of the CCPL, namely those from the supply side (diplomatic, strategic and economic interests of the Donors) will be left aside.

The assessment will be limited to the results that were considered as objectives of the CCPL. The CCPL is a support to the mainstreaming of the CC policy of the Government (reflected in the cross-cutting issues), but focused on specific sub-sectors of the policy.

For instance, reforestation was a target of the CCPL. The assessment will then try to find out if the reforestation activities did take place and were successful. This is an expected impact of the CCPL in the CEF.

Nevertheless, it may be the case that, during the same period, deforestation did occur. If no specific actions have been considered in the policy matrix, we will consider that this deforestation process took place outside the agreed framework of the CCPL and shall not be assessed as such.

At the opposite, such developments should be taken into account in an assessment of the CC policy of the Government. However, this way of assessing the impact begs a question: could we consider successful a support to some sectors because the targets are met, knowing that the general impact of the policies of the Government could be deceiving – or, at the opposite, should we consider as a failure targets that are not met, even if the general impact is positive ?

Box A1-2: Illustration of the 3-step approach – Macroeconomic stability issue

- Step 1:
 - Inputs, amounts and timing of disbursements
 - Are the inputs significant from a macroeconomic point of view?
 - Did a macro risk assessment take place?
 - Was the amount of the loans the result of a macroeconomic analysis?
 - Are the amounts at stake significant for AFD (cost \$30 a year) and JICA?
- Step 2: results: Did the macro stability improve?
 - It was already good in 2007-2008 (debt sustainable, growth, etc.)
 - It improved (rating, spread and debt sustainability). Indonesia now reaching the investment grade.
- Step 3: Links between inputs and results
 - Did the CCPL reduce the cost of borrowing (public and external financing)
 - Unexpected results: did the CCPL contribute to an appreciation of the exchange rate?

Conclusion

Assessing budget support under CCBSs should be based on the standard 3 steps OECD-DAC approach, because this approach has been shown to allow for an orderly way to deal with the assessment and to identify the relevant evaluation questions. Nevertheless, some differences between Standard General Budget Support approach, aimed at poverty reduction in Low Income Countries and CCBSs aimed at mitigation and adaptation to climate change should be taken into consideration. The main difference may be that in the case of SGBS the resources do contribute directly to the outcomes and results, but some other differences are also significant. For this reason, the design of the evaluation and the evaluation questions should be adapted.

Appendix 2. Example of a Policy Matrix

POLICY MATRIX: CLIMATE CHANGE PROGRAM LOAN (CCPL) / LOW CARBON AND RESILIENT DEVELOPMENT PROGRAM

2010 Status and 2011 Status ©: exceedingly attained, ○: attained, △: substantial progress, ×: unfulfilled

Outcome Area	Indicators of 2010 Action	2010 Status	Indicators of 2011 Actions	2011 Status	Future Policy Directions	Progress/Observation
1. Key Policy Issues (Upstream Strategy)						
1.1 Mainstreaming Climate Change in the National Development Program						
Climate change program is implemented in all related ministries towards the achievement of national target (26% GHG emission reduction from BAU in 2020)	Finalize Indonesia Climate Change Sectoral Roadmap (ICCSR).	ICCSR was inaugurated formally, in March 2010, which includes mitigation and adaptation sectoral plans. ICCSR mitigation plans would be the basis of the preparation on NAMA and REDD+ strategy paper.	○ Use Midterm Development Plan (RPJM) and RAN-GRK as a basis to prepare the draft the concept of nationally appropriate mitigation action (BAPPENAS(CMPW/CMEA))	Prepared a concept of NAMA. Based on the concept, issued Guideline of RAN-GRK (Guideline for Implementing Green House Gas Emission Reduction Action Plan) in 2011.	○ Draft mitigation action	BAPPENAS has been working for preparation of RAD-GRK at provincial level.
	Issue a presidential decree on National Action Plan for 26% GHG voluntary reduction.	The draft of RAN-GRK has not yet been legalized (The Presidential Decree not yet been issued).	△ Issue a guideline for provincial action plans based on RAN-GRK (BAPPENAS).	Issued the guideline of RAD-GRK (Guideline for Developing Local Action Plan for Green House Gas Emission Reduction) based on presidential regulation no 61/2011 on RAN-GRK. National launching and socialization was held in Jakarta, January 2012.	○ Draft provincial action plans for contributing to 26% reduction.	Prepared (standard) methodologies for sectors included in RAD-GRK. Series of socialization events for RAD-GRK have been conducted and 12 provincial governments have prepared RAD-GRK by middle of Oct 2012. Preparing local GHG inventory and BAU baseline, actions plan, and priority program to reduce GHG emission. Series of technical training supports on related components and sectors were held on May-July 2012. Governor regulation ratification for each province is expected by September 2012. The RAD-GRK development vary between provinces as of July 2012.
	Conduct socialization for preparing the draft provincial action plans in 2 regions for contributing to 26% reduction based on the Presidential decree (BAPPENAS).			Conducted several events for socialization for preparation of provincial mitigation action plans. Workshops on RAN-GRK/ RAD-GRK were held in February 2012 in Palembang, Denpasar, Makassar, Semarang, and Balikpapan.	○ Incorporate climate change program into regional midterm development plan at Provincial level.	(On relation between RAD-GRK and midterm development plan) RAD-GRK is to be utilized as a reference for next provincial midterm development plan (according to explanation of RAN-GRK guideline). Preparing RAD-GRK's actions plan and priority program and budgetary which is to be utilized as a reference for next provincial midterm development plan.
	Submit mitigation actions and Commitment under Copenhagen Accord to UNFCCC based on commitments by the president, policy documents and policy dialogues.	Indonesian Voluntary Mitigation Action was sent by GOI to UNFCCC in Jan 2010.	○ (Completed) (BAPPENAS(DNPI))		(N/A)	
	Revise a "National Action Plan Addressing Climate Change (2007)".	No revision of NAP Climate Change (RAN-PI) as the preparation for the RAN-GRK moved forward on mitigation. For adaptation, national adaptation strategy will be prepared.	△ Prepare a concept note of national adaptation strategies (BAPPENAS).	Concept of national strategy for mainstreaming adaptation (national adaptation strategy) was prepared in 2011. (Also, a document titled "National Adaptation Strategy" has been issued in November 2011 by BAPPENAS for sharing key points of the strategy at COP meeting. BAPPENAS will further develop a document with same title in 2012.)	○ Draft national adaptation strategies.	Draft Adaptation strategies (for mainstreaming) was completed. On RAN-API, concept was prepared. Preparation of draft is on-going and expected to prepare final draft in Nov 2012.
1.2 Financing Scheme and Policy	Coordination for Climate Change					
Policy coordination on climate change is enhanced and linked to National Budget and Planning processes.	Implement innovative funding mechanism for climate change through the Indonesia Climate Change Trust Fund (ICCTF).	Based on several steering committee meetings, BAPPENAS selected 3 projects in September from more than 100 proposals from line ministries for utilizing innovation fund. The 3 projects came from MOA (1milUSD), MOI (2milUSD), and BMKG (1milUSD). The Secretariat of ICCTF will monitor implementation of these activities.	○ Complete an Investment Strategy and revise the current standard operation procedure (SOP) for ICCTF.	Prepared "ICCTF business plan 2011-2020". Investment Strategy aligns with key climate policies in Indonesia and targets and strategies/criteria in three key "window" (Land-based mitigation, Energy and Adaptation and Resilience) have been developed (explained in the business plan). SOP was drafted, which stipulates legal duties, operation procedures, and etc. In accord with recently developed policies on trust fund (see below), SOP is being revised again.	○ Continue to support the funding mechanism for climate change projects under the Indonesia Climate Change Trust Fund (ICCTF).	In the second round of project selection process, 3 projects (MOA, Ministry of Health, MOFR) were selected and financed in 2012.
			Prepare selection of the National Trustee of ICCTF through discussion between BAPPENAS and MOF (BAPPENAS).	Enacted presidential regulation No. 80/2011 on Trust fund which stipulates trust fund institution (including trustee institution/board of trustee, etc). Structure of ICCTF was further developed and National Fund Manager and ICCTF secretariat implement ICCTF at operational level (instead of national trustee). As of July 2012, National Fund Manager is under selection process and expected to be appointed in Aug/Sep. 2012.	○	

Outcome Area	Indicators of 2010 Action	2010 Status	Indicators of 2011 Actions	2011 Status	Future Policy Directions	Progress/Observation
	Conduct a study on the implementation possibility of Performance Based Budgeting (PBB), for programs and policies of line ministries related to climate change.	In 2009, BAPPENAS and MOF issued Technical guidance of PBB and program matrix of 2010 as well. From January 2011, Evaluation Division of BAPPENAS will conduct evaluation activities until April, and DG of Budget, MOF and Directorate of Ministries Funding Allocation, BAPPENAS will examine evaluation report for making revised budget plan until June. After that, MOF will announce the revised budget. PP (Government Regulation) No. 90/2010 was issued on arrangement of Work plan and Budget of Ministries/Agencies which includes the PBB issue (replaced PP No 21/2004).	△ Implement PBB for policies, programs and activities of line ministries related to CC (BAPPENAS/MOF (BKF)).	Performance Based Budgeting (PBB) has been introduced since 2011. Climate change programs of the line ministries are part of overall PBB process. (Need to have more information/data)	○ Continue implementing PBB for line ministries related to CC.	GOI continues implementation of PBB in 2011. (Further information needed regarding implementation of PBB on climate change.)
	Improve the existing design Climate Change DAK (Special Allocation Fund) or special incentives concept for local government	Although establishment of CCDAK was proposed by Dir of Environment, BAPPENAS and discussed on this many times, GOI decided not to establish this CC sector, because CC is a cross sectoral issue. There are 19 sectors in DAK in 2011 and budget allocation has been done (total is Rp 25 Tril.). Besides, an additional budget of USD 10 mil has been allocated for Forestry as Climate change DAK. To link it with 18 sectors for climate change action, technical criteria for budgeting should come from technical ministry and recognized by Director of Budgeting System under DG Budget of MOF.	△ Prepare concept for providing incentives for climate change (BAPPENAS/MOF)	MOF conducted studies for providing incentives. Based on recommendation of the studies, relevant policies will be prepared (MOF started preparation).	○ Finalise concept of climate change incentives	MOF started preparation of incentive policies based on results of their studies.
	Continue the efforts to establish Local Disaster Management Agency (BPBD) in all provinces	32 BPBD in provinces have already been completed in 2010. BPBD in Papua is still in the construction phase and should be completed in 2011.	○ (Completed) (BNPB)	33 Provincial BPBD have been established.	○ (N/A)	
1.3 GHG Emission & Absorption Measurement Inventory						
Monitoring mechanism for carbon emission and absorption is established through National GHG Inventory System.	Submit main report of 2nd National Communication to UNFCCC.	MOE has finalised the SNC and submitted it to DNPI. DNPI has submitted to UNFCCC on February 14, 2011.	○ (Completed) (MOE)		○ (N/A)	
	Develop the GHG Inventory System (SIGN) through official process and design an Indonesian national MRV System	The Presidential Regulation (Prepres) on GHG Inventory including MRV has been finalised and has been sent to Cabinet Secretary. This draft has been consulted with sectors and Coordinating Minister for People's Welfare (Manko Kesra). In addition, the Cabinet Secretary has agreed to include this draft into their regulation preparation settings. The draft of the President regulation on GHG Inventory has been provided by MOE. With regard to MRV system, now it is considered under REDD+. Forestry MRV will be handled by UKP4. Parts of the MRV (especially the M and R) have been developed as part of the Presidential Regulation.	○ Finalize draft Presidential Regulation on National GHG Inventory	Presidential Regulation 71/2011 on National GHG inventory was issued in 2011.	○ Implement SIGN with the close coordination among relevant institutions and prepare for the National GHG Inventory.	For further implementing National GHG inventory, the general guideline of inventory was completed. MOE has finalised Book of Guidance on the Conduct of National GHG Inventory consists of: a. Book I: General Guidance b. Book II – (1) Volume 1 – Methodology on GHG Emission Calculation of Energy Supply and Demand Activities, (2) Volume 2 – Methodology on GHG Emission Calculation of Industrial Process and Product Use, (3) Volume 3 - Methodology on GHG Emission Calculation of Agriculture, Forestry, and Other Land Uses, (4) Volume 4 - Methodology on GHG Emission Calculation of Waste Treatment Activities. MOE has circulated it to the line ministries and relevant institutions. The guideline will be legalized with ministerial regulation. MOE also prepared sectoral-based manuals for implementing general guideline for further implementation of GHG Inventory. The manuals are to be officially launched in Nov 2012. MOE has also convened several capacity buildings in GHG Inventory Calculation training courses for 33 BLH Province since June 2011.

Outcome Area	Indicators of 2010 Action	2010 Status	Indicators of 2011 Actions	2011 Status	Future Policy Directions	Progress/Observation
			Develop Technical Guidance for waste sector inventory development as a pilot sector (MOE).	MOE decided to issue general guideline for national GHG inventory before technical guideline for inventory in waste sector. The general guideline was drafted with input from experts. Currently coordination within GOI was conducted and the guideline was finalised. It will be launched in Nov 2012 Technical guideline for inventory in waste sector is under preparation. Pilot study of municipal waste was conducted (with support of JICA). The draft on municipal solid waste was completed in 2012. The waste sector guideline as a whole to cover waste water will be further developed based on the report of the pilot study in pilot project in North and South Sumatra Provinces.	○ Start preparation for guidelines and methodology including MRV (Measurement, Reporting and Verification), to be conducted by each of the Ministries/ Agencies and Local Governments.	As described in the above cell, general guideline and sector-based manuals for GHG inventory were developed. MOE has been developing waste sector guideline on Characterisation of Municipal Solid Waste at Municipal Solid Waste Dumpsites relates to GHG Inventory since 2011. MRV guideline is to be developed. Before starting preparation of MRV guideline, gaps analysis including data availability and options of institutional arrangement with their roles/duties has been conducted and are being further analyzed and arranged.
2.1. Forestry						
2.1.1. Forest management and governance						
Forest governance and management is improved through the establishment of improved rules on FMUs, financial scheme for local governments, and timber legality.	Design norms, standards and procedures on how Forest Management Units (FMUs) manage forests. (Ministerial Decree was issued in 2010 and will be applied to the newly established FMUs)	The establishment of 22 model FMUs has been completed. To support the implementation of FMU in province and districts, Ministry of Home Affairs has issued a regulation. Minister of Forestry has also issued Ministerial Regulation No. P.6/Menhut-II/2010 regarding norms, procedures, and standards of FMU management.	○ Establish FMUs in 3 Provinces.	77 FMU areas were designed in 3 provinces: Central Kalimantan, East Kalimantan and South Sulawesi; these newly designed FMU Areas cover 22,437,710 ha. 15 Model FMUs were established with management institutions	○ Establish remaining FMUs (28 FMUs as a final target number to be established in total by 2014)	Target number in MOFR RENSTRA is 120 Model FMUs and 28 provincial level design to be established/operationalised by 2014. As of October 2012, 25 provinces have designed FMU areas, which cover 78,966,312 ha in total. 56 Model FMUs have been established with management institutions MOFR has provided capacity building for FMU manager. Also establishment of Model FMU by MOFR is on-going in each province to demonstrate how institutionalised FMU can work at site level.
			Issue Ministerial Regulations for supporting the implementation of FMUs in provinces and districts. (MOFR)	MOFR issued P.41/Menhut-II/2011 Facilitation Standards, and P.42/Menhut-II/2011 Technical Competence of HR Protection and Production FMUs in 2011	○ Strengthen the regulatory framework for FMU management institutions at local level for conservation, protection, and production FMUs (implementing and technical guidance)	(Recommendation) For the improved forest governance through FMU development, it is recommended to establish mechanism to monitor and report FMU performance in terms of management effectiveness and organisational efficiency.
	Design a concept on intergovernmental transfer DAK (Special Allocation Fund) mechanism to finance and improve the incentives for local governments through strengthening forest management activities toward emissions reductions.	The technical guidance of DAK forestry for 2011 has been issued.	○ Issue Technical Guidance for using Forestry DAK for FY 2012 (MOFR).	The Technical Guidance for using Forestry DAK for FY 2012 was issued by MOFR.	○ Evaluate and improve intergovernmental transfer mechanism through DAK to finance local government forest activities.	Forestry DAK has been improved in terms of activities eligible to be funded: the guidance for 2012 includes FMU as one of its eligible activities. (Recommendation) It is recommended to develop monitoring system of Forestry DAK to assess performance in delivering outputs, since current system is based mainly on financial reports submitted by local governments.
Implement and monitor performance of GOI regulation on timber legality. Assess capacity for oversight, certification and monitoring in national standards agency.	DG Decree of Forest Production No.6/SES VI/2010 was issued. After piloting implementation of SVLK (timber legality verification system) for 11 timber industries funded by the state budget (APBN), forestry companies continued by their own costs: 115 timber industries (IUPHHK), 4 forest concessions for natural forest (IUPHHK Hutan Alam/HPH), and 1 industrial timber plantations (IUPHHK-Hutan Industri/HTI) have implemented VLK until end of June 2011. In addition, for international market, GOI has been successfully signed a VPA (Voluntary Partnership Agreement) scheme on 4 May 2011.	◎ (Completed) (MOFR)		(N/A)	MOFR Decree No 38/2009 has been amended by MOFR Decree No 68/2011 and DG Decree 6/2009 has been amended by DG Decree No 08/2011	
2.1.2. Peatland Conservation						

Outcome Area	Indicators of 2010 Action	2010 Status	Indicators of 2011 Actions	2011 Status	Future Policy Directions	Progress/Observation
An institutional and regulatory framework to conserve and restore peatland is improved.	Coordinate among ministries to control peatland emissions implementation under the framework of presidential regulation.	The government regulation has been prepared and currently is being reviewed by the ministry of Law (later to be submitted to Sekneg). MOE plans to have a meeting with the Ministry of Law.	○ Produce the Map of Peatland Hydrological Unit (Kesanuan Hidrologis Gambur) in Sumatra and Kalimantan (MOE).	The Map of Sumatra at scale 1: 250,000 was produced in July 2012 by MOE, which illustrates locations of peat hydrological units with boundaries. Map of Kalimantan was still on-going.	△ Finalize a national-scale mapping.	Government Regulation on Protection and Management of Peatland Ecosystem has been drafted (MOE) and waiting for approval by the line ministries (MOPW and MOFR). Currently, the draft is at the State Secretary (the draft is needed for further analysis). The Map of Peatland Hydrological Unit and Map of Peatland Ecosystem Characteristic are expected to support implementation of the new Government Regulation on Protection and Management of Peatland Ecosystem. Draft of Government Regulation on Protection and Management of Peatland Ecosystem mandates establishment of two maps. 1) Finalize a national-scale map of Peatland Hydrological Unit. 2) Establish map of Characteristic of Peatland Ecosystem (manual of peatlands characteristic identification has been prepared). Map of Kalimantan is pending due to some technical problems. Map of Papua is started and expected to finalise imagery interpretation by 2012. Randomized field verification will be conducted by involving universities (Cendrawasih University and University of Papua) from 2013. (recommendation) Coordination with relevant ministries and agencies is recommended to share peat-related data and to develop methodology for Peatland mapping.
	Implement key steps in national multi-sector policy dialogue (seminar proceedings, policy principles) toward establishing a legal framework for the national strategy for lowlands with the focus on balancing development and conservation considering peatlands as major source of GHG emissions (with target in 2010).	MOPW is currently drafting the regulation on Swamp and will submit it to the ministry of Law and Human Rights. The Government Regulation on swamp has been discussed Inter Department Level. Harmonizing level at Ministry of Law and Human Rights will be held then. And the target, it will be finished at the end of 2011.	△ Finalize a draft of Government Regulation on Swamp and conduct coordination among relevant ministries (MOPW).	Government Regulation on Swamp has been formulated in 2012 by MOPW, and is currently waiting for approval from the line ministers (MOE and MOFR). The draft is at the State Secretary and expected to be issued at the end of year 2012. The regulation will define designation of Swamp management (the draft is needed for further analysis).	○ Establish better coordination mechanism on peatland.	DNP and Indonesia Climate Change Center (ICCC) have proposed the draft definition of peatland to be applied to Indonesia Peatland mapping and management in August 2012. Coordination for Swamp management on lowland supported by WACLIMAD approach is expected to continue. Government Regulations on Peatland (MOE) and Lowland (MOPW) to be issued and better coordination mechanism on peatland to be established.
Emissions from deforestation and forest degradation is reduced through the implementation of a national REDD framework	Complete the Ministerial Decree on Mechanism and Procedures of REDD by defining roles and responsibilities of government agencies, local communities, and the private sector in managing carbon assets.	National Strategy of REDD+ is now being revised and reviewed by REDD+ Task Force.	△ Issue presidential instruction on Moratorium (UKP4/MOFR).	Presidential Instruction No.10/2011 on Moratorium was issued (Inpres No. 10/2011) in May 2011	○	Following the instruction of Inpres No. 10/2011, Directorate General of Forestry Planning has released a series of Indicative Map of Moratorium (PIPIB) in collaboration with Bakosurtanal, BPN, UKP4 and MOA. PIPIB was first produced in June 2011, and has been revised every 6 months; 2nd revision was released in May 2012. The Moratorium has potential to produce positive impacts on reforming license process and spatial planning over natural forests and Peatland.
			Finalize National Strategy of REDD+ (UKP4/MOFR).	National Strategy of REDD+ is now being finalised by REDD+ Task Force and will be signed by President.	○ Issue National Strategy of REDD+	National Strategy of REDD+ has been finalised and officiated through the REDD+ Task Force Chairman's Decree No. 2/2012 signed on September 19, 2012. Following the formulation of the National Strategy, REDD+ Agency will be developed and officiated through a Presidential Regulation. Development of National Action Plan, as well as Provincial Strategy and Action Plans are progressing in 11 provinces. MOFR has issued a new Ministerial Regulation: P.20/Menhut-II/2012 about Implementation of the Forest Carbon.

Outcome Area	Indicators of 2010 Action	2010 Status	Indicators of 2011 Actions	2011 Status	Future Policy Directions	Progress/Observation
	Conduct/Implement REDD demonstration activities (at least 3), specify results in specific locations and partners.	Around 10 demonstration activities on REDD have been conducted.	○ (Completed) (MOFR)	(N/A)	(N/A)	As of April 2012, there are 37 demonstration activities / REDD+ pilot projects are recognised by MOFR. (Recommendation) Further information is expected on registration and reporting system of demonstration activities / pilot projects under MOFR regulations (P.68/2008 and P.20/2012).
2.1.4 Afforestation and Reforestation						
Carbon sink capacity is increased through reforestation activities	Rehabilitation of protected areas consisting replanting of 100 thousand ha and develop technical design for another 100 thousand ha.	The 100 thousands Ha replanting program has been completed.	○ (Completed) (MOFR)	(N/A)	(N/A)	
	Issue a ministerial decree on forest land allocation for timber plantation (HTI and HTR).	Area identification has been finalized. And a ministerial decree SK.07/Menhut-II/2011 on forest land allocation for timber plantation has been issued in January 2011. This SK is not only applied for HTI and HTR, but also Forest concession on RE (Ecosystem Restoration) and on natural forest (Hutan alam). The allocated area comes from the production forest area.	○ (Completed) (MOFR)	(N/A)	(N/A)	
2.2 Energy						
2.2.1 Renewable Energy Development						
Improve energy security and reduce future GHG emissions from electricity generation through new geothermal projects within an improved policy framework for private sector participation.	Improve policy framework design for promoting geothermal development to facilitate arrangements / deals between developer and off-taker. Identify financing needs to mitigate upstream risk of geothermal projects.	MOF, MEMR and BAPPENAS are working on studies for policy framework for geothermal development, including a risk mitigation mechanism and tender process improvements. Based on the results of the studies, 1.16 trillion rupiah for a fund for exploration/drilling by the government was allocated in APBN 2011.	○ Prepare draft Ministerial Decrees on Fund Manager Assignment and Financial Mechanism (disbursement and funding management)	MOF issued Regulation No.3/PMK.011/2012 This covers the procedures for management and accountability of Geothermal Fund facilities In Chapter III Article 6, it also designated PIP (Centre for Government Investment) as the Geothermal Fund Manager as stipulated in the Finance Minister Decree No.286/KMK.011/2011. PIP is conducting detail Feasibility Study to disburse funding for 2 geothermal exploration projects worth 60 million dollars and 1 exploitation project worth 132 million dollars.	○ Continue to improve policy framework design to promote geothermal development, and operate exploration fund.	Geothermal Fund is now in place but current operations only utilizes national government funds, no additional funding from external sources yet. There is already an MOU between MEMR and MOFR to coordinate with each other on the issuance of licences for geothermal development projects in production, protected and conservation forest areas in the country. The Government is also revising the Law 27/2003 and the draft will be submitted now to the State Secretary (Semeg). Once finalized, it will be submitted to the Parliament for approval.
	Issue draft regulation to clarify the scheme of compensation for the incremental cost of geothermal electricity to off-taker.	Presidential Regulation (PerPres) No.4/2010 was issued. The MOF is planning to issue a ministerial decree to strengthen policies, which allows the ministry to issue a "feasibility letter" when PLN signs PPAs with IPPs. MEMR prepared a ministerial regulation that obligates PLN to purchase electricity from geothermal power plants for projects listed in Crash Program II.	○ Issue a ministerial decree on PLN's obligation to purchase geothermal power from projects of Crash Program II (MEMR).	MEMR Regulation (PerMen) No.2/2011 obliges PLN to purchase geothermal power at a maximum price of US\$0.097 per kWh MOF issued Minister Regulation no 77/PMK.01/2011 that stipulates mechanism for Guarantee Letter for PT PLN when implementing the Perpres no 4/2010. This regulation signed on April 6, 2011 was then revised to MOF Regulation no 139/PMK.011/2011 signed on 22 August 2011	○	MEMR issued a ministerial regulation no 22 year 2012 on FIT for geothermal PP. This regulation replaced MEMR Regulation no 2/2011, increasing the FIT from 9.7c/kWh to a range of FIT depending on the type of connection (high or medium voltage) and region. For high voltage the lowest is Sumatera at US\$0.10 and the highest is on Papua at US\$0.17/kWh. Issuance of the FIT for geothermal PP requires the PP no 59 year 2007 on the business of geothermal development. The draft revised PP is still under the Law Bureau of the MEMR.
	Demonstrate progress by signing PPAs (at least 1) of geothermal projects.	Six new PPAs were signed by March 11, 2011 for total 435 MW geothermal power and 11 PPAs waiting to be signed.	Completed (MEMR, MOF, BAPPENAS)	4 PPAs were signed.	(N/A)	There will be 11 PPAs to be signed in 2012. These are: PLTP Sokoria in Flores 1 x 30 MW, PLTP Tangkuban Penuh II in West Java 2 x 30 MW, PLTP Rantau Dadap in South Sumatera 2 x 110 MW, and PLTP Rawa Dano in Banten 1 x 110 MW. Then, PLTP Ungaran 1 x 55 MW, PLTP Guci 1 x 55 MW, and PLTP Batraden 2 x 110 MW in Central Java and PLTP Cisulok Cisukarame 1 x 50 MW and PLTP Tanponas 1 x 45 MW in West Java. These are existing contract of Private companies such as Chevron under Pertamina management (before issuance of the Law). Prior that, PT PLN has signed PPA with Supreme Energy for PLTP Muan Labouh 2 x 110 MW and PLTP Rajabasa 2 x 110 MW Upcoming: Utubehu 2x55MW, 1st in June 2012, 2nd in Oct-Nov 2012

Outcome Area	Indicators of 2010 Action	2010 Status	Indicators of 2011 Actions	2011 Status	Future Policy Directions	Progress/Observation
The promotion of renewable energy development is improved by monitoring, evaluating and revising the new regulations.	Ministerial regulation (MOF) No. 21/2010 (PPH) and No. 24/2010 (PPN DTP) on incentives for renewable energy development was issued in January 2010.	Ministerial Regulations No. 21/2010 and No. 24/2010 were issued in January 2010. In addition, MOF plans to revise the ministerial regulations to promote the development of renewable energy. MEMR drafted again RPPs of "Supply and Demand of Energy" and "New and Renewable Energy" and RPP of "Direct use of Geothermal."	○ Issuance of Ministerial Decree 22/2011 to replace Ministerial Decree no 24/2010 (PPN DTP) (MOF)	Ministerial Regulation no 22/PMK.011/2011 related to PPNDTP was issued on 7 Feb 2011 replacing the MOF regulation no 24/PMK.011/2010.	○ Prepare regulations on FIT for Renewable Energy.	The Ministerial Regulation (MEMR) no 4, 2012, a FIT for biomass, biogas and MSW was issued. MEMR is on the process to issue the FIT for Hydro, for solar and for wind. Geothermal FIT has already being issued as mentioned above.
			△ Draft Ministerial Regulations on Feed in Tariff (FIT) for solar and wind (MEMR)	The FIT for solar and wind is still being drafted and will be finished by the end of 2012. The one ready for issuance will be for the Hydro PP (large and small scale).	△	
			△ Draft Blueprint(s) on geothermal, hydro and solar. (MEMR)	*No progress yet, awaiting for parliament approval of KEM (National Energy Policy)	△ Publish Blueprint on Renewable Energy	Current focus is drafting government regulation for renewables similar to gov't regulation for energy conservation. It is desirable to prepare detailed plan for preparation and implementation of the Blueprint and/or government regulation.
	Presidential Decree No. 4, 2010 on assignment to PLN to conduct acceleration of power plant development using renewable energy, coal, and gas has been issued on January 8, 2010.	Based on the presidential decree No.4 issued on January 8th, 2010, MEMR issued the Ministerial Decree No. 2/2010 on detailed project list and capacity dated on January 27th, 2010. Moreover, MEMR issued the Ministerial Decree No. 15/2010 on revised planning and project list based on RUPPL (finalized in September) dated on August 27th, 2010.	○ ((Completed) (MEMR)	*Presidential Decree No. 4/ 2010 was revised to PD No. 48/2011 issued in July 2011 *MEMR Ministerial Decree No. 15/2010 was revised to No. 1/2012 issued on 13 January 2012	(N/A)	The share of diesel (BBM) generation is planned to be reduced from 36% in 2008 to 4% in 2015.
2.3.2. Energy Efficiency						
GHG emissions are reduced (or strategies for reducing GHG emissions are formulated) by enhanced energy efficiency in energy intensive sectors through the use of new technology and the rehabilitation, renovation and replacement of existing facilities.	Conduct a study on a national framework for emission reductions in the cement sector.	MOI will set standards of per-ton CO ₂ emissions in the technical guidance for the cement industry and hold workshop dated on November 15th, 2010. MOI plans to issue this technical guidance as a ministerial decree, possibly within 2010. MOI has created a Grand Strategy for energy conservation in the industrial sector (with financing from ICCTF). The implementation of the first phase has started in September 2010 and is expected to be completed in June 2011. The main components are studies on technical needs assessment, energy manager training and standard operation procedures for 50 companies in the steel and pulp/paper industries, and on-line information system to manager. Road shows conducted in six (6) regions.	○ Complete the first phase of the Grand Strategy (F/S, on-line system) (MOI)	Complete the first phase of the Grand Strategy (MOI) which is the implementation of energy conservation and emission reduction in 35 steel companies and 15 pulp and paper companies funded by ICCTF. There were 7 outputs achieved: 1) Energy conservation baseline and reduction of CO ₂ emissions in the 50 companies plus the 9 cement companies (total 59 companies) 2) Established the Emission and Energy Management Information System (SMIEE); 3) Capacity building for around 500 human resources in the Industrial and in the Local and Central government on Energy conservation and CO ₂ emission reduction; 4) Finalized General Guidelines for the implementation of the MOI PREP-ICCTF project and the Technical Guidelines for the energy conservation and CO ₂ emission reduction (11 documents); 5) Completion of Pre-Feasibility Study (Pre-FS) for Energy Conservation and CO ₂ Emission Control in the 50 industries; 6) Formulate Investment Grade Audit (IGA) for 38 industries (remaining 12 industries has low EEC percentage for IGA formulation); 7. Increasing awareness of the Central and Provincial government towards the climate change issue through training, workshop, discussion, coordination meetings, various cooperations, and programs proposed related to climate change. Outputs 5 - 7 were additional achievements non-included in the Phase 1 of the Grand Strategy.	⊕ Replicate the same approach to other industrial sectors.	For the cement industries covered by APD TA, the current emission level was calculated and recommendations for its reduction was made. The cement industries are requesting for incentives to implement the recommendations. The incentives need to be examined. ICCTF funding was provided for 25 steel industries and 15 pulp & paper industries. Other industries (ceramix, textile, fertilizer, food & beverage, electronics and petrochemical) will need funding for diagnosing their energy. 1) Replicate the same approach to other industrial sectors; 2) Monitoring of the 59 industries in 2013 using State Budget (APBN); 3) Drafting Ministerial Decrees for the steel and the pulp and paper industry CO ₂ emission reduction roadmap (2 ministries decrees). To be conducted in 2013 using the APBN budget.
			○ Draft the CCT roadmap for Indonesia (MEMR).	Completed. (Prepared by JICA)	○ Conduct a study to introduce new and more energy efficient technology, and survey the potential of energy efficient technology for electricity generation. Finalize the CCT roadmap and start the implementation of the roadmap.	The CCT roadmap proposed Ultra Super Critical (USC) for coal fired power plant by 2017 and Integrated Coal-Gasification Combined Cycle (IGCC) around 2025. Super Critical coal fired power plant will be the option prior to USC introduction.

Outcome Area	Indicators of 2010 Action	2010 Status	Indicators of 2011 Actions	2011 Status	Future Policy Directions	Progress/Observation
			Finalize Technical guidance as a ministerial decree regarding the cement industry. (MOT)	Completed by the issuance of the Ministerial decree No. 12/M-IND/PER/1/2012	○	The incentives for cement industries to comply with the Technical guidance need to be explored further.
			Draft Framework of REFF Burn (Reducing Emission from Fossil Fuel Burning) as an integrated approach to mitigate emissions from fossil fuel in energy sector (MEMR).	Completed. ("REFF-Burn: An Integrated Program for Reducing Emission from Fossil Fuel Burning" was prepared.	○	Finalize REFF Burn.
						EBITKE already drafted a document on the REFF-BURN but still need to be revise with current development. Nevertheless, policies included in the "REFF -Burn" are being implemented
Demand side management becomes a major part of government regulations and eventually contribute to fiscal budget management.	Prepare a master plan for energy conservation (RIKEN) including the energy efficiency standards, energy audit program with a monitoring and evaluating framework, of fiscal incentives options, and the industry energy conservation, with the sectoral approach, with MEMR and MOI.	The concept document of RIKEN has been completed. The final draft will be finished after fulfilling these following steps: - Update on Energy Projection data. - Approval from Law Bureau in MEMR. - Other policies and regulations will be issued. Drafting Ministerial Regulations for: 1) Guidelines/criteria's for the Success of Energy Conservation, mechanism of Incentive and ins 2) Procedures and Prerequisite Performance Test for CFL lamps in regards to Energy Saving Lamps	○ Completed (MEMR)	*Completed but not yet issued awaiting the issuance of the National Energy Policy *Issued MEMR No.6/2011 on the procedures and prerequisite performance test for CFL lamps in regards to Energy Saving Lamps	Issue RIKEN the master plan for energy conservation. Start to implement the master plan of energy conservation, including energy efficiency standards, energy audit program with a monitoring and evaluating framework, of fiscal incentives options, and the industry energy conservation.	Detailed Implementation plan of RIKEN needs to be prepared. MEMR issued regulation for controlling the use of oil fuel/BBM (no 12/2012); Electricity saving (No 13/2012); Energy Management (No 14/2012); saving of water use (no 15/2012).
2.3.3 Pricing Energy consumption is better controlled by a more cost-oriented pricing mechanism, contributing to reducing both GHG emissions and energy subsidies	Finalize a road map for improving subsidy policy of electricity	The roadmap for subsidy reduction, including tariff adjustments, was completed in January 2010. Since the roadmap contains several options, depending on the level of tariff changes, no revisions were needed after the tariff increase in 2010. To keep the price cap, a presidential regulation was issued in February 2011 (No.8/2011. Comparison with MEMR No7/2010 needed). Since the prices were changed in 2010, MEMR will focus on reducing PLN's production cost to reduce the electricity subsidy.	○ Evaluate production cost and subsidies of electricity (MEMR).	*MEMR proposed a Rp 8.1 trillion cut in electricity subsidy for 2012. Based on the APBN 2012, the subsidy for electricity is Rp44.96 trillion. Compared to 2011, it is more than Rp20 trillion lower (31%).	○ Continue to prepare for implementation actions based on the road map, including the regulation.	Electricity Subsidy Reduction is a political issue when it comes to setting up tariff. Based on the 2009 Electricity Law Chapter X Part Two Article 34 Section 1, the Government set the electricity tariff with approval from the Parliament (DPR). The Parliament has decided no tariff increase for 2011 and 2012. The priority is on reducing fuel (BBM) subsidy which is almost 3 times the electricity subsidy. Subsidy for fossil fuel in 2012: Rp 123.6 trillion Government income from oil: Rp 113.68 trillion <Recommendations> The Policy Direction concerning Subsidy expenditure 2012 for electricity would be: 1) continue improving electricity transmission to reduce losses; 2) increase supply of gas and coal for generating electricity (fuel input). Future subsidy management measures for electricity are: 1) Gradual electricity tariff adjustment; 2) Eliminating electricity subsidy to middle class and high class consumer tariff group; 3) Increase power generation fuel input mix with coal, gas and geothermal
2.3. Transportation 2.3.0. Overall Transportation Policy	Transportation policy is enhanced enough to avoid deteriorating traffic congestion.		N A Formulate the revised Jabodetabek transportation master plan (BAPPENAS/CMEA). Draft Presidential Regulation for the Jabodetabek Transportation Authority (JTA) (CMEA).	Jabodetabek master plan has been completed but has no legal framework yet The draft Presidential Regulation is being reviewed by the cabinet. Decision might be made after the election of new governor of Jakarta.	○ ○	Finalise Presidential Regulation for the Jabodetabek Transportation Authority (JTA)
2.3.1. Modal Shifting						

Outcome Area	Indicators of 2010 Action	2010 Status	Indicators of 2011 Actions	2011 Status	Future Policy Directions	Progress/Observation
The increase rate of car users remains at a low level, and is less than that of users of public transportation	Develop BRT (Bus Rapid Transit) in 2 cities: Tangerang, and Sarbagita Area (Denpasar, Badung, Gianyar, Tabanan) Bali.	The development of BRT in Tangerang and Sarbagita is ongoing and will be completed in 2011. DG Land and transport has provided the buses but the status of construction of the support (BRT lane, bus stop) conducted by local government remains uncertain. The project will be completed in 2011.	△ (focus on upstream policy issues in 2.3.0)	Corridor III (Klindares, Poris Plawad) is connected with Trans/Jakarta-Tangerang since June 22, 2012 although the ticket is not yet integrated. Bali Trans Sarbagita Sarbagita developed 2 (two) corridors. Corridor II is implemented while corridor I is on progress.	(N/A)	
	Improve pedestrian facilities in Bukit Tinggi and develop bicycle lane in Sragen.	The Status of Improve Pedestrian Facilities in Bukit Tinggi near Jam Gadang Area: the phase one has already finished and second phase will be completed in 2011. Bicycle lane in Sragen completed.	△ (focus on upstream policy issues in 2.3.0)	Pedestrian facilities in Bukit Tinggi phase II still has not completed yet.	(N/A)	
2.3.2 Traffic Management						
Traffic management is enhanced enough to avoid deteriorating traffic congestion.	Develop ATCS (Area Traffic Control System) in Bogor and Surakarta	Developed ATCS in two cities (Bogor and Surakarta) was completed in December 2010.	○ Issue Government Regulation 32/2011 of Traffic Management and Engineering, which consists of Electronic Road Pricing (ERP) arrangement (MOT).	The Government Regulation no 32/2011 was issued on June 21, 2011. PP has regulated steps to be taken by the regional administration to implement the ERP which includes planning, managing traffic, procurement and preparing road facilities. However, road-pricing levy was not included as tax or retribution in the 2009 Regional Tax and Retribution Law so another PP from Ministry of Finance is needed to categorize ERP fees as tax or retribution.	○ (N/A) (will focus on upstream policy issues in 2.3.0)	Government Regulation from the Ministry of Finance is in the process of being composed and adjusted to the Law no. 28/2009 on Regional Taxes and Regional Retributions, including whether the ERP tariff serves as a regional retribution or a regional tax.
3. Adaptation						
3.1. Climate Forecasting and Impact and Vulnerability Assessment						
Strengthening of institutional and regulatory framework and capacity for scientific research on adaptation	Start developing the climate modeling as the basis of the development of impact and vulnerability assessment.	Started developing climate change modelling scenarios utilizing UK modelling. BMKG has a plan to develop Indonesian Climate Model Scenario based on existing modelling such as UK, Japan, and other countries, and they will make several scenarios until 2013. Conducted vulnerability assessment study in East, Central and West Java. Started creating climate database following the Australian model.	○ Complete 7 climate change modelling scenario.	Seven modelling scenarios were completed.	○ Prepare Vulnerability Map for other areas	Assessment for Sumatera Island is being conducted in 2012. In 2013, vulnerability assessment for other islands will be made. A project called "Strengthening IPCC's Climate Change Scenarios" will start in 2013, aiming at (1) processing IPCC climate change projection data into Indonesian specific ones, and (2) processing climate change scenario projection data to support adaptation policy making in climate sensitive sectors.
			○ Develop climate database including 5 parameters (rainfall, temperature, humidity, wind and sun light).	Completed including an additional parameter of atmospheric pressure	○	
			○ Continue vulnerability assessment studies: complete 1st phase in Bali (current and past vulnerability in food security and water availability), start one in West Nusa Tenggara (BMKG).	For Bali, the phase I (vulnerability assessment for food security) will be completed in 2012 and vulnerability assessment for water availability will be terminated in 2013. For West Nusa Tenggara, the vulnerability assessment was started in 2011. BMKG is in charge of assessing climate exposure, while JICA TA local consultant is conducting sensitivity analysis of agriculture (particularly paddy) and of adaptive capability of farmers.	○	
			○ Implement INAGOOS (Indonesia Global Ocean Observing System) to cope with climate change.	MOP established INAGOOS Data Center in Jakarta and INAGOOS secretariat has been established in 2010. Bungus Research Station for Coastal and Marine Vulnerability will be completed in 2011	○ Complete Strategic Plan (2011-2014) for INAGOOS (MMAF).	The Strategic Plan (RENSTRA) was finalised and made public in 2011. INAGOOS is included to Annex II of the RAN-GRK stipulated under Perpres No. 61/2011, as one of supporting activities in reducing GHG emission.

Outcome Area	Indicators of 2010 Action	2010 Status	Indicators of 2011 Actions	2011 Status	Future Policy Directions	Progress/Observation	
			Prepare a draft of Technical Guidance related to Climate Field School (CFS) and System of Rice Intensification (SRI) based on the Presidential Instruction (MOA).	1). The Presidential Instruction No. 5/2011 was issued in March 2011. The Instruction obliges the MOA and other ministries/agencies to cooperate with provincial and district governments to anticipate and provide quick response to extreme climate by allocating technical and financial supports in securing national rice production. MOA issued Ministerial Regulation No. 45/2011 to coordinate roles and functions of MOA's technical and research institutions in central and local level in supporting national surplus of 10 millions tons of rice by 2014 2). CFS technical guidance is issued every year. Since the objectives of the field school are different among major providers, i.e. DGFC (Food Crops), DGAIF (Agricultural Infrastructure and Facilities) and BMKG, they issue the guidance respectively. Highlights of CFS guidance by DGFC include mainly measures focusing on pest and disease control caused by climate change impact, while DGAIF on water management in non-irrigated areas. DGFC completed 247 units in 30 provinces, DGAIF realized 1001 units in 14 provinces. SRI technical guidance is also updated every year. In 2011, 599 units were completed.	○		
3.4. Marine and Fisheries							
Strengthening of institutional and regulating framework to manage coastal zones and small island	Develop a strategy for coastal community resilience to cope with climate change, including the plan of climate resilient village in 8 districts in northern coast java	The project of Climate Resilient Village plan for coastal area is already completed in mid 2010. The overall Project summary and one project details has been sent to Bappenas (Letter No. D.129/KP3K/II/2011, Feb 18 2011).	○ Develop climate resilient village plan for 5 years, including detail engineering, implement the design and develop the community resilience through workshop and training in Tanjung Pasir (MMAF).	The Strategic Plan with completion of a pilot project has been successfully finalized in 2011 entitling "2011-2015 Development Plan of Tanjung Pasir Village, Sub Tehuk Naga district, Tangerang District, Banten Province." The development of Renstra includes activities: - Village problems identification and concept development (in collaboration with FEMA, IPB) including institutional strengthen; - Infrastructure planning including DED and village mapping; - Infrastructure building covering dikes building along the river close to the village, and mangrove restoration; Along this component, community awareness to the possible impact of climate change was given through a theater media by role-playing game involving 25 students and youths.	○ Develop Guidelines of climate resilient village. Implement the climate resilient village plan.	This pilot project in Tanjung Pasir village is further developed to be a new program namely Disaster and Climate Change Resilient Coastal Village (<i>Pengembangan Desa Pantai Tangguh – PDPT</i>) for 2012 – 2014. This program was launched in 15 December 2011 by the Minister of Marine and Fisheries and has been initiated at 48 villages. It becomes the 'icon' of the DG Marine, Coastal and Small Island together with PUGAR (Community Salt Development) program.	
	Implementing study on coastal vulnerability in relation to sea level rise in Java and Bali, research on the variability of CO ₂ Flux in Banten Bay.	The computing CVI activities in Java is finished in 2010. The other activity is conducting CVI study of West Sumatra. Activities including (Survey of Sediments, mangrove data input, investigation). The study was completed in 2010	Prepare draft/concept Strategic Plan on Coastal Vulnerability Recommendation for Marine and Coastal Resources in Indonesia (MMAF).	Early draft with outline has been prepared.	○	Finalization of the Strategin Plan on Coastal Vulnerability is awaited.	
		Research on the variability of CO ₂ flux in Banten has been initiated in 2010. Based on the data compiled from 2008 to 2010, the CO ₂ estimation methodology was completed.	Review and update Strategic Plan for Blue Carbon Research in Indonesia 2011-2014 (MMAF).	Review and updating were completed and made public on website	○	Budget proposal for expanding pilot area to the area other than Banten Bay will be made through the Ministry of Research and Technology. This will be a joint research program with German program called "Science for Protection of Indonesian Coastal Marine Ecosystem (SPICE)" and with Japan called "Tropical Coastal - Marine Ecosystem & Carbon Dynamics Under Climate Change" (TROMECC). Blue Carbon Forum (a FaceBook page) was created and there are 500 visitors/week, including NGOs and stakeholders.	

Outcome Area	Indicators of 2010 Action	2010 Status	Indicators of 2011 Actions	2011 Status	Future Policy Directions	Progress/Observation
	Prepare the criteria of the impact of climate change.	The draft criteria were prepared. Yet, in order to finalize it, MOE needs to conduct further studies (by obtaining serial data and analysis of them) and stakeholder consultation.	○ Prepare List of Criteria of Standard of Environmental Degradation of Climate Change Impact. (MOE)	[As of May 2012] Of the three sectors planning the lists of criteria, Forestry and Agriculture have mostly been finalized (as of May 2012). However, list for Coral Reef is delayed due to insufficiency of data actually measured in Indonesia's territorial seas. Upon finalization of the lists for the three sectors, MOE would prepare an early draft of Government Regulation by the end of 2012. However it is still uncertain if the criteria are issued as a Government Regulation.	△ Issue a Government Regulation on the criteria of impact of the climate change.	Progress is same as of May 2011 (as of July 2012)
3.2. Water Resources						
Improving water resource management including climate change adaptation measures specifically in nationally strategic river basins.	Continue to implement strategic assessment of the water future of Java, and prepare an action plan for priority interventions incorporating climate change, urbanization, economic development and food security to become an integral part of the River Basin Strategic Water Management Plans (Pola WS) and the framework for the River Basin Master Plans, with the national target of 2010: completing 12 provincial water resource council, 12 Coordination Team for Water Resources Management in River Basins (TKPSDA) and 8 Integrated Water Resources Management Plan (POLA).	Provincial water resource councils: 18 have been formed (NAD, Sumatera Utara/Barat/Selatan, Banten, Jawa Tengah/Yogyakarta/Timur/Barat/DKI Jakarta, Nusa Tenggara Barat/Timur, Sulawesi Utara/Tengah/Selatan/Barat, Kalimantan Timur, Maluku) Coordination Team for TKPSDA: 21 have been formed (Progo - Opak - Serang, Bengawan Solo, Jumbo Aye, Pemali - Comal, Irtanusehuna, Serayu - Bogowonto, Brantas, Pulau Lombok, Aesesa, Jeneberang, Paguyaman, Citanduy, Seputih- Sekampung, Mesuji Tulang Bawang, Teramang-Ipuh, Sangihe Talud, Tondano Likupang, Cimamuk - Cisanggarung, Akuanman, Bodir- Kuto, Bima-Dompu) POLA: 8 Plans have been approved by the Minister of Public Works (Bengawan Solo, Cimamuk, Brantas, Progo - Opak - Serang, Irtanusehuna, Seputih-Sekampung, Pulau Lombok, Limonto Bolango Bumi)	⊕ Complete draft of master plans for 2 River Basins in Java Island (Cimamuk-Cisanggarung and Brantas River Basins) which include climate change adaptation measures (MOPW).	Preparation of master plan involves three stages: 1) Water Resource Inventory 2) Drafting 3) Legalization For the two River Basins in Java Island, they are at the second stage composed of preparing basic design and pre-feasibility study. The second stage will be completed in 2012. The third stage (legalization: Issuance of Ministerial Decree) will be completed in 2013. POLA: Additional 4 Plans have been approved by the Minister of Public Works (Belawan-Ular-Padang, Batanghari, Parigi-Poso, Lasolo-Konaweha)	△ Complete master plans for 2 River Basins in Java Island (Cimamuk-Cisanggarung and Brantas River Basins) which include climate change adaptation measures. Prepare Ministerial Decree on Guideline of master plan.	
3.3. Agriculture						
Strengthening of institutional and regulating framework to improve resilience of farm production and reduce drought risk.	Evaluate performance, then improve and scale up actions for adaptation in agriculture including climate field school. System for Rice Intensification (SRI), and to enforce land development and management without burning as part of an overall plan (Minister of Agriculture Decree No. 26/Pertentan/OT.14/2/2007).	SRI was completed in 62 units of 8 provinces (16 districts.) 20ha/unit. Therefore, total 1240 Ha was covered. Climate Field School completed 200 units in 29 provinces (163 districts) by DG of Food Crops (Sub-Division of Climate Change Adaptation) and 61 units in 10 provinces (60 districts) by DG of Agricultural Infrastructure (Sub Directorate of Land Extensions and Land Management). With regard to land management without burning, MOA implemented 9 units encompassing 225ha in 3 provinces (7 districts). 7 units in 3 provinces were completed by DG of Agricultural Infrastructure and 2 units in 1 province were completed by DG of Plantation.	△ Issue a Presidential Instruction on security measures for rice production in facing extreme climate.	The presidential instruction 3/2011 was issued in March 2011. The instruction obliges the MOA and other GOI agencies to cooperate with provincial governments to provide farmers' groups with 1) labor for seeding & cultivating at one time (instead of by rotation) to mitigate the damages of brown hoppers' attack; and 2) technical assistance for better irrigation management.	○ Continue the 2011 progress to finalize actions	MOA puts SRI (DGLAF) and Integrated Crops Management Field School (DGFC) as one of the four major means to achieve the national target of producing 10 million tons of Rice in 2014 (land optimization and extension, rice consumption decrease, management improvement are the other measures). RAN-API will include the overall direction of further spreading the measures and methods transferred through CFS, SRI as well as land without burning and pest control. However since the geological and socio economic conditions are diverse they need to be tailored to the local contexts. On this account further technical assistance is required to develop and disseminate adaptation measures particularly in the 12 major rice producing areas.

Appendix 3. Terms of reference

Joint evaluation JICA/AFD of ICCPL phase I (2008-2010)

Terms of reference

1. Background

Indonesia and climate change: current situation

The Republic of Indonesia (population: 230 millions) occupies an important place in worldwide efforts for climate change mitigation, despite its status as a Non-Annex-I country of the United Nations Framework Convention for Climate Change (UNFCCC). This position is due to a few unique conditions. Firstly, Indonesia is the third greenhouse gas (GHG) emitting countries in the world (when emissions from Land Use, Land Use Change, and Forestry [LULUCF] sectors are included). Secondly, despite the persistent poverty, there has been steady growth of the economy led by the industrial sector, resulting in a rapid increase in energy consumption. Thirdly, there is an urgent need to strengthen climate change adaptation policies in Indonesia. Indonesia is surrounded by ocean and the majority of the population engages in agriculture and fisheries, so that the economy is quite vulnerable to the impact of climate change, particularly to the rise in sea level, precipitation change, flood, and drought.

Climate change commitments and policies -milestones of the Government of Indonesia (GOI)

On this account, GOI has actively addressed climate change issues through the introduction of a number of laws, plans, and guidelines, as well as implementing mitigation and adaptation measures on the ground. In 1994, Indonesia ratified the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol ten years later, in 2004. In December 2007, Indonesia hosted the 13th Conference of Parties (COP 13) to the Climate Change Convention in Bali. As a non-Annex I country and therefore with no commitment to reduce its emissions of greenhouse gases, Indonesia is sharing the vision of a "common but differentiated responsibility" in the fight against climate change, a founding concept of the UNFCCC.

In preparation to COP 13, the Government of Indonesia (GOI) launched in December 2007 its “National Action Plan Addressing Climate Change” which defines the Indonesian vision to address climate change. The document, prepared under the supervision of the Ministry of Environment, provides an update on the situation in the country from a climate change point of view and proposes actions in three major areas: reducing emissions of greenhouse gases, adaptation and institutional development.

The plan is cross-sectoral (agriculture, forestry, industry, energy, tourism, infrastructure, etc.) and mobilizes the whole array of tools available to a Government (governmental organization, taxation, investment policies, decentralization, awareness raising, etc.). The document concludes with the presentation of a matrix of actions, whose structure and content were used as a starting point and constant reference to the development of the "Policy Matrix" which constitutes the backbone of the Indonesia Climate Change Program Loan (ICCPL). The National Action Plan is being transposed into the development planning process under the coordination of the Ministry of Planning (Bappenas). To this end, the "National development planning: Indonesia responses to climate change" (also known as "yellow book") was released in July 2008.

At the G-20 Leaders Summit in Pittsburgh (September 2009) President Susilo Bambang Yudhoyono took the commitment to reduce *emissions by 26 percent by 2020 from Business As Usual, and, with international support by as much as 41 percent.*

In March 2010, was published the Indonesian Climate Change Sectoral Roadmap (ICCSR) based on 9 sectors. The high priority sectors for adaptation in Indonesia include the 4 following: water resources sector; marine and fisheries sector, agriculture sector and health sector; while for mitigation the 5 high priority sectors consists primarily of the forestry sector; energy sector; industry sector; transportation sector; and waste sector. In addition, climate change addresses inter-sectoral linkages, for instance between forest and agriculture or energy.

Finally, the RAN-GRK (National Plan for Greenhouse Gas Emissions reduction) was published in October 2011.

Overview of the programme supported by Japan International Cooperation Agency (JICA) and Agence Française de Développement (AFD) through climate change programme loans (CCPL)

Indonesia Climate Change Programme Loan (ICCPL) phase I has been a three-year programme (2007-2009), supported both by JICA and AFD, to address Indonesia's climate change mitigation, adaptation and cross-sectoral issues, by monitoring and supporting climate change policy reform of the Government of Indonesia (GOI) and thereby reduce risks arising from climate change.

In January 2008, the Government of Japan (GOJ) launched its "Cool Earth Partnership" to assist developing countries that are aiming to achieve both emission reduction and economic growth and which are working to contribute to climate stability. Building on the Indonesian willingness to fight climate change and on the "Cool Earth Partnership" initiative, the Climate Change Program Loan was designed, and the "Policy Matrix" was agreed between GOI, AFD and GOJ, in the first semester of 2008.

The purpose of the "Indonesia Climate Change Program Loan" (ICCPL) is to support policy reforms in favour of climate change mitigation and adaptation. Actions and indicators, which are reviewed annually between GOI (Bappenas and Ministry of Finance as well as line ministries) and the two donors, are aggregated into three blocks within the "Policy Matrix": (i) mitigation, i.e. reducing emissions of greenhouse gases (sectors of forestry, energy and

industry), (ii) adaptation to climate change (water and agriculture) and (iii) cross-cutting activities (spatial planning, CDM, ...).

In the framework of the ICCPL, the AFD granted in 2008 a 200 million dollar loan to GOI as a first tranche, in cofinancing with JICA which granted a 300 million dollar loan. For the second tranche, a new loan agreement has been signed in 2009 between AFD and GOI: AFD's support to GOI consisted in a 300 million dollar soft and long-term loan (fully blended into GOI's budget), while JICA granted a second tranche of 300 millions dollar loan. Finally, in 2010 AFD and JICA granted the third tranche of their loan, respectively 300 millions dollar. Thus, between 2008 and 2010, the support to ICCPL from JICA and AFD reached 1.7 billion dollar.

Although the loan agreement is signed by Ministry of Finance on behalf of GOI, the preparation of the “Policy Matrix” is based on inputs and consultations from all related ministries or governmental institutions whose programs are to be part of the “Policy Matrix”. The process of formulating the “Policy Matrix” is governed by a Steering Committee and Technical Committee, both chaired by the Government.

The Government led Steering Committee is chaired jointly by BAPPENAS, Coordinating Ministry for Social Welfare, Coordinating Ministry for Economic Affairs, and Ministry of Finance. The Steering Committee includes Echelon 1 officials and provides policy direction, as well as coordination among ministries and with donors. It is responsible for validating the progress and results of the “Policy Matrix” implementation.

The Technical Committee, chaired by BAPPENAS, convenes discussion sessions, focus group discussions and policy dialogues with line technical ministries and representatives of development partners. The Technical Committee reports to and makes recommendations to the Steering Committee. Development Partners (donors) participate in the Steering Committee and Technical Committee meetings, and may provide technical assistance in the monitoring process when it is necessary and requested by the GOI. The Technical Committee is responsible for the regular follow-up of the indicators presented in the “Policy Matrix”.

An AFD funded forestry expert, based in Jakarta, is, on a part-time basis, assisting the monitoring team, to help the GOI to monitor the progress towards the implementation of the “Policy Matrix” and to prepare the Steering Committee meetings. JICA has also provided important technical assistance to monitor the “Policy Matrix” since the very beginning (IGES and GG21 consortium, first as resident in Jakarta, then through missions from Tokyo). This technical assistance is provided alongside the loan agreements to support their objectives regarding the “Policy Matrix”, although on a distinct contractual basis.

Context of the evaluation

In 2010, JICA Indonesia Office has conducted a self-evaluation on ICCPL Phase I (2007-2009), the process and output of which have been shared with AFD. This programme evaluation was conducted by ICCPL Advisory & Monitoring (A&M) Team (GG21 and IGES) to understand the major achievements of the loans to GOI, as well as to identify

challenges to be addressed in the future. The *final programme evaluation report* was delivered in October 2010⁵⁸.

JICA and AFD evaluation departments have confirmed mutual interest on a joint evaluation of the co-financed CCPL in Indonesia, to be conducted in an independent way, with AFD Evaluation Unit taking the lead. The proposed independent joint evaluation will nevertheless take stock of the *final programme evaluation report mentioned above*, which will be updated by its authors in parallel, during the evaluation process.

⁵⁸ Republic of Indonesia Climate Change Program Loan 2007-2009 (Programme Evaluation Report), October 2010 – Japan International Cooperation Agency (JICA) and Institute for Global Environmental Strategies (IGES).

Motivation for the evaluation

The evaluation is expected to produce results with respect to two purposes: i) accountability in both donor countries, taking in consideration the level of funds committed to the climate change policy by JICA, AFD and GOI, and ii) capitalisation, i.e. how to draw lessons from the "pioneer" Indonesian experience, using a budgetary instrument to address climate change issues, both to improve future donor's support for GOI climate change strategy and for other partner countries strategies.

2. Objectives and scope

3.1. Objectives

The overall objective of the evaluation is to assess to what extent the ICCPL Phase 1 has successfully given means to the GOI in order to design and implement its climate change strategy, and enhanced the efficiency and effectiveness of its policies, strategies, and spending actions to achieve sustainable outcomes and impacts on climate change development related issues.

Besides the accountability objective for donor and partner countries, the evaluation will take stock of what has been achieved with the main purpose to be forward looking and allow for lessons learnt and recommendations. These lessons and recommendations should be based on the Indonesian experience and provide some understanding and guidance as to the issues to be considered and practices to be developed both for Indonesia and for other countries where the lessons learnt could be disseminated. They should focus on :

- the conditions under which CCPL is effective;
- the constraints in government policies, institutional structures and administrative arrangements which might impede the overall effectiveness and impact of support to climate policies;
- improvements and priorities to be privileged by donors to maximize future donor climate change support (whether through loans, or other relevant instruments or tools).

3.2. Methodology

The methodology draws upon the framework developed by the European Commission to evaluate budget support operations at country level⁵⁹, under the umbrella of the DAC evaluation network.

Based on these standards, the evaluation methodology follows a three-step approach:

- **Step 1** aims firstly at the description and the assessment of ICCPL programme inputs⁶⁰, provided by donors, and their direct effects on the relationship between external support and GOI's budget and policy processes, as well as their induced effects on changes in financing and institutional national arrangements (including in relation to institutional and budgetary frameworks for public spending, interministerial coordination processes, mainstreaming of the Climate Change issue within the GOI and the line ministries, harmonization and alignment of external assistance, etc...).
- **Step 2** aims at an assessment of the outcomes (GOI's response) and the impacts (on climate change-development related issues) which are implemented under the national climate change policy. At this step, the evaluation will take into consideration both the overall programme level and the sectoral level. An assessment of outcomes and progresses will be done for sectors in close relation with climate change policies. To this extent, a number of sectors will be taken into account, in relation both to mitigation and to adaptation policies. Forest sector will definitely be under the scope, as it is a priority sector for climate change concerns in the country, and as France has provided technical assistance and studies, in addition to ICCPL. Energy sector should also be retained, through JICA's specific recruitment of one expert on this area. The consultants could propose to add other sectors to the scope, depending on their financial and human capacities and on the areas of expertise within their team. Analysis at sectoral level should also provide an opportunity to try to assess effects both at national and local level.
- **Step 3:** based on the findings in step 1 and 2, step 3 aims at a synthesis and conclusions on the way in which ICCPL has contributed to changes in the overall GOI policy management and service delivery in relation to climate change issues. The evaluators will

⁵⁹ See http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/2008/budget_support_en.htm

⁶⁰ According to the afore mentioned methodology, a five-level logical sequence to establish the cause-and-effect links and the time dimension of the effects is applied : i) level 1: **inputs** by budget support donors, including funds, policy dialogue, conditionality, technical assistance / capacity building, alignment to government policies and systems, harmonisation between donors; ii) level 2: **immediate effects (or direct effects)** of the inputs on the relationship between aid, the national budget and national policy processes; iii) level 3: **outputs (or induced effects)**, that is consequent changes in the financing and institutional framework for public spending and public policy; iv) level 4: **outcomes**, that is interactions between the public sector and the wider economy and society, specifically with regard to the proximate determinants of climate change attenuation and adaptation policies; v) level 5: **impacts**, as regards climate change development related issues.

cross the two first steps, to identify links and relationships between the inputs provided through the ICCPL programme and those changes that occurred at global and sectoral level.

3.3. Temporal and thematic scope

The scope of the evaluation is the support provided by AFD and JICA for the ICCPL phase 1 (2008 to 2009), which was implemented between 2008 and 2010.

Other donors, such as World Bank and ABD which joined ICCPL in 2010/2011, will be informed and interviewed, and their position taken into account when appropriate, but as they were not involved during phase 1, their inputs will not be under the scope of the evaluation.

The thematic scope of the evaluation covers all cause and effect links related to the inputs provided by AFD, JICA and GOI for ICCPL programme phase 1 (such as: budgetary support, harmonisation, contribution to interministerial dialogue and to international dialogue, contribution to monitoring system, etc). Inputs will also include institutional technical assistance, but only when provided to directly support the ICCPL process, i.e. for supporting the monitoring system through the “Policy Matrix”. Sector technical assistance will be kept out of the evaluation scope.

3.4 Procurement

The evaluation will be performed by a joint team of five consultants, two of which will be recruited directly by JICA according to their procedures, and the other three being selected by AFD in the context of the present TORs.

3. Phases and activities

5.1. The inception phase

The inception phase of the evaluation will aim at securing the involvement of the stakeholders of the evaluation process, collecting and reviewing the first data available, reconstructing and understanding the ICCPL logic of intervention, and more generally finalizing the evaluation framework and methodology.

This phase will start by an initial meeting of the Management Group, the evaluation team and BAPPENAS, through visio-conference, in order to launch the evaluation process and establish the basis for coordinated work and interactions between the team and the Management Group. It will also include collecting most of the documentation available and performing a preliminary desk-based review of it; undertaking a first set of interviews with members of the Management and Reference Groups and other relevant stakeholders; identifying the specific features to be introduced in the evaluation framework; formulating, discussing and agreeing on the list of key Evaluation Questions (EQ) and the overall evaluation framework (detailed evaluation questions, data collection plan and tools, analytical tools) with the Management Group. Applied tools for data collection and analysis may include (as appropriate): interviews with key stakeholders and related institutions, focus groups, surveys, expert panel, case studies, multi-criteria analysis, cost effectiveness analysis or any other relevant tool/method.

The inception phase will involve a first visit of the evaluation team to Indonesia to work together with a view to tailor the evaluation framework to the specificities, constraints, and potential (notably in terms of data) of the situation in the partner country.

It will end with the submission of the **inception report**, which, based on these first elements of review, will include a methodological note refining the initial approach provided in the consultants' offer. This first report will be presented for approval to the Management Group.

4.2. The field phase

The field phase of the evaluation will focus on collecting missing information, providing a more detailed review of data collected, and launching an in-depth analysis through various tools in order to obtain preliminary findings in relation to the evaluation questions.

At this stage of the evaluation, most of the underlying analysis of available data for the evaluation will be completed and all remaining data gaps need to be addressed. Specific tools will be used to collect missing information. These tools will be combined to ensure rigorous analysis and answers in relation to the evaluation questions validated at the end of the inception phase.

At the end of this field phase, the evaluation team will present preliminary findings to the Reference Groups (RG). The findings will be presented and discussed during a formal debriefing meeting, through the sub-mission of an *aide-mémoire*. The Aide Mémoire should be a short document aiming at reporting issues emerging from the conduct of the field phase.

The *aide-mémoire* (to be sent to the MG prior to the RG meetings) will address the following issues:

- Data collection and analysis plan applied;
- Problems encountered and solutions adopted;
- Assessment of the coverage and reliability of collected data and their first analysis;
- Most significant facts and preliminary findings;
- Next steps pertaining to analysis and value judgement.

4.3. The analysis and synthesis phases

The analysis and synthesis phase will aim at deepening the analysis started in the desk phase, concluding on the evaluation questions, and providing adequate and shared recommendations. These phases should serve as a basis for formalizing lessons learnt and operational recommendations to improve both donor support to climate change, and budget support operations more widely. On a more global perspective, they should provide some basis to reflect upon the issues listed in paragraphs 3.1 and 4 above. Specific attention and time should be provided by the evaluation team to the formalization of conclusions and recommendations. In their offer, consultants should present their approach to this specific work, as well as organizational means to support discussion, and validation of shared recommendations among the evaluation stakeholders.

Analysis

Due to the complexity of such an evaluation, an overall viewing and thorough analysis of all the information collected is essential, be it primary data from interviews, or secondary data based on documents, facts and figures from various sources of either already existing information or information specifically set up for the purpose of the evaluation (interviews, case studies, outcome and impact studies on certain thematic aspects etc...). Based on the overall analysis and synthesis of information, the evaluation team shall prepare a **first draft of the evaluation report**, which fulfils the objectives of the evaluation.

Draft final report and feedback workshop in Jakarta

The draft final report of the evaluation will be sent for review and comments to the three RGs (including RG in Jakarta). This review should aim at pointing out any omissions or errors and providing feedback on the conclusions and operational recommendations of the evaluation. Comments from GOI will be communicated to the evaluation team during a **feedback workshop in Jakarta**, which will be organised under the leadership of Bappenas, inviting key ICCPL Line Ministers.

Comments received following the RGs review and feedback workshop of the evaluation should be taken into consideration without compromising the independence of its value judgements. The evaluation team may either accept or reject the comments but in case of rejection of the comments it must justify (in writing) the reasons for rejection (these comments and the evaluation team's responses are annexed to the report).

Following this review, a revised draft final report will be submitted for approval to the Management Group, as well as a draft synthesis and a draft executive summary.

Final report and synthesis

The evaluation team will prepare the Final Evaluation Report, the synthesis and the executive summary based on the comments of the MG. The evaluation team may either accept or reject the comments but in case of rejection of the MG comments they must justify (in writing) the reasons for rejection (these comments and the evaluation team's responses are annexed to the final report).

4. Key deliverables

- Inception report. It should contain the reconstruction of the ICCPL logic of intervention, preliminary findings from the documentary review including the Programme Evaluation Report, and will propose a detailed evaluative framework and methodology for discussion and validation with the Management Group.
- Aide Mémoire. It will present the data collection and analysis plan applied; the problems encountered and solutions adopted; the assessment of the coverage and reliability of collected data and their first analysis; the most significant facts and preliminary findings; the next steps pertaining to analysis and value judgement.
- Draft final report. It will present the result of the evaluative analysis provided on the basis of the evaluation methodology, as well as the conclusions and recommendations of the exercise. It will be reviewed by the Reference Groups and validated by the Management Group. It will be sent to GOI for review and comments after compiling JICA and AFD's comments.

- Powerpoint presentation. In order to present and support the discussion of the draft final report in the MG meeting, a powerpoint presentation should be drafted by the consultant team.
- Background evaluation report (40 pages plus annexes) : It will be prepared by the evaluation team, taking into account and compiling the previous comments from the Reference Groups, the Management Group and the GOI, and will be validated by MG.
- A final evaluation report (15-20 pages) will be provided out of the Background evaluation report ,
- and an executive summary (2 to 4 pages).

The final evaluation report and the executive summary will be discussed by AFD, JICA and BAPPENAS, and validated by the Management Group. Disclosure of these two documents will require approval by BAPPENAS.

All deliverables should be sent within reasonable delay (two weeks) before dates set for review and meetings, to provide time for consultation and feedback. Precise dates will be fixed during the evaluation process.

5. Dissemination

The final versions (final evaluation report, synthesis and executive summary) should be sent in one copy both in word and PDF format to the MG by email. They should also be sent in printed version in the following quantities, format and languages:

- 5 copies of the **Final Evaluation Report – in English**

- 5 copies of the *Final Evaluation Report* with all printed annexes – in English

A CD-Rom with the Final Evaluation Report and annexes has to be added to each printed report.

- 10 copies of the synthesis and the executive summary – each copy should be translated in Japanese, French and Bahasa.

All reports will be written in English as original documents. JICA and AFD may translate part or all final report in Japanese and French respectively. The executive summary and synthesis, will be published on JICA, AFD, - and possibly Bappenas - websites, in compliance with AFD and JICA disclosure policies.

6. Key meetings

- One initial meeting of the Management Group, BAPPENAS and the evaluation team to launch the evaluation process, by visio-conference.

- One Management Group meeting will end the inception phase, and will focus on the discussion of the Inception report.
- One Management Group meeting will be set to discuss the draft final report
- One feedback workshop will be organised jointly by AFD, JICA and Bappenas in Jakarta, for collecting comments as well as making feedback of the findings to GOI on the commented version of the draft final report.

The Reference Groups will meet locally twice to discuss the aide-mémoire, and the draft final report in case of AFD.

7. Responsibility for the management of the evaluation

The ICCPL evaluation will be under the responsibility of JICA and AFD.

The evaluation will be guided and coordinated through a formal **Management Group**, accompanied by three **Reference Groups**, one in Tokyo, one in Paris, one in Jakarta.

The Management Group (MG) comprises the lead donors, namely JICA and AFD, represented by their Evaluation Units. It is the responsibility of the Management Group:

- to ensure that the evaluation is supported by and accompanied by the Indonesian government, through Bappenas,
- to finalize the ToR, launch and complete the tendering process till the recruitment phase,
- to ensure that the evaluation team selected provides the capacities and skills needed to satisfy the ToR, in accordance with DAC quality standards. AFD, as the lead agency for this evaluation, will recruit according to its own procedures. It has to be noted that in the same time, JICA will also recruit, through its own procedures, at least one Japanese expert who will be part of the team. The team will be under the leadership of the French senior coordinator that will be recruited by AFD,
- to ensure the communication with the Reference Groups,
- to ensure that the evaluation methodology is followed and that it responds to the DAC quality standards,
- to validate the deliverables and ensure the financing of the evaluation.

The three Reference Groups (RG) are composed of :

- for AFD: AFD experts, under the coordination of AFD Evaluation Unit,
- for JICA : Regional Department/Representative Office in charge and Office for Climate Change under the supervision of JICA Evaluation Department,
- and for GOI, government representatives of line Ministers, under the coordination of Bappenas, i.e. members of the technical committee of the ICCPL.

The Reference Groups are kept regularly informed by the MG of the progress of the evaluation. They may be consulted during the evaluation process for advice, technical

expertise and review by the MG and the evaluation team. The RGs review and comments on the aide mémoire and on the draft final evaluation report.

8. Evaluation team and content of the offer

In order to ensure objectivity, the present evaluation should be undertaken by experts who were not operationally involved directly in ICCPL's related activities. Experts must be strictly neutral. Conflicts of interests must be avoided.

The evaluation team will be composed of a total of 5 experts. Overall, the team will combine knowledge of the Indonesian context, of the climate change negotiation, of budget support, of evaluation techniques (mainly on budget support evaluation), in macroeconomics, in public finance management, in political science and econometrics/statistics as well as a familiarity with the sectors to be analysed more in depth: forestry and energy. One expert can have several thematic and/or sector competences. All the experts must be perfectly fluent in both oral and written **English**. Other relevant language skills may be an asset.

The two consultants recruited by JICA will include one international expert in budget support, as well as one local expert on energy. The team recruited by the current TORs will work as a team with these two consultants. One international expert (preferably the specialist of budget support evaluation and/or public policy evaluation, recruited by AFD) will be proposed as the leader of the whole team of five consultants, for approval by the Management Group. The JICA recruited consultants will be mainly responsible for preparing a part of the reports relevant to budget support and energy sector, and the remaining area will be covered by the AFD recruited consultants. The team leader will provide guidance to the team members for preparation and drafting of reports.

In answering this bid, consultants are expected to base themselves on:

- the OECD/DAC evaluation criteria (relevance, effectiveness, efficiency, impact, sustainability),
- the European Commission Methodology for evaluations of budget support operations at country level (as referred to in Annex).

The consultants will be expected to adjust this methodological framework to the specificities of the current evaluation. The consultants are expected to propose within their response a set of evaluation questions, to be fine-tuned to the scope and focus of the current joint evaluation. The number of evaluative questions may be reduced and prioritized in comparison to this standard list. These evaluation questions should be integrated in the 3 steps methodological

framework outlined above. They should allow formulating a judgment, conclusions and recommendations on the two levels of interest of this evaluation:

- at programme level, the overall quality and effectiveness of the ICCPL phase 1 support;
- on a more global perspective, the relevance and added value of the budget loan support in relation to climate change development related policies in Indonesia / and other countries, and more generally as a tool for supporting public policy changes.

In their offer, consultants should provide:

- a note of understanding of the terms of reference;
- their proposal for a methodological approach;
- the composition of the evaluation team, with their detailed CVs, as well as the approach taken in terms of organization to coordinate the work of its different members.
- a table distributing the evaluation team members across the various skills required to perform this evaluation;
- a detailed budget, including a breakdown of the time to be spent by each member of the team, travel expenses, etc.;
- a detailed workplan and timetable.

9. Estimation of number of days of expertise and of mission

The estimated number of days of expertise is foreseen as follows:

- 110 days for the AFD recruited consultants, including 20 days for the forest expert,
- 54 days for the JICA recruited Japanese consultant, and days for a local consultant on energy sector will be determined.

10. Preliminary schedule

The schedule of JICA/AFD joint evaluation is as follows:

Phases	Main objectives	Field visit	Deliverable	Review process and	Approximate timing (as of D : date of
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				meetings	contract signature)
Inception phase	Understanding the scope of the evaluation Structuring, refining and finalizing the evaluation framework	Field visit n°1	Inception report, EQ	Launch meeting (visio) Management group meeting	D (March) + 2.5 months
Field phase	Collecting missing data Launching in depth-analysis Formalizing and discussing preliminary findings	Field visit n° 2 (around the end of May 2012)	Aide mémoire	Reference Group meetings	D + 4.5 months
Analysis and synthesis phases	Pursuing the analysis Providing analytically founded conclusions to the evaluation questions Formulating lessons learnt and operational recommendations		Draft report	Reference Group meetings	D + 7 months
		Field visit n° 3. (around Oct 2012)	Draft final report and powerpoint presentation	Management Group meeting Feedback workshop in Jakarta	D + 8 months

			<ul style="list-style-type: none">- Final report- Synthesis- Executive Summary		D + 9 months (End of Nov. 2012
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Annexes

1. Methodological references

For methodological guidance, please refer to the following link and documents

http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/2008/budget_support_en.htm

- “Methodology for evaluation of budget support operations – Issue Paper – May 2008 – Assignment for the European Commission”.
- “Methodology for evaluation of budget support operations – Methodological details –April 2009”.
- “Methodology for evaluation of budget support operations - Tools for step 2 : the evaluation of the impacts of government strategies - April 2009”.