

Final Report  
for  
the Project of Capacity Development for  
Green Economy Policy in Indonesia

October 2015

Japan International Cooperation Agency

## 1. Introduction

The terminal evaluation was conducted from 9 May to 5 June, 2015 for the “Project of Capacity Development for Green Economy Policy in Indonesia (the Project)”, with a result of signing by both parties on the evaluation report, as attached in [Annex 1](#). One of the evaluation results was to identify activities that need to be completed by the end of the Project. The present document aims to describe and assess the status of such activities. For the results and assessments of all the other activities, please refer to the terminal evaluation report.

The Project, as summarized in [Table 1](#), has been implemented with the aim to promote green economy in Indonesia by supporting the Fiscal Policy Agency (FPA), the Ministry of Finance in enhancing their following capacities: to formulate and implement a funding mechanism for RAD-GRK; to formulate fiscal and financial incentives in promoting green cities; to introduce crop insurance; and to evaluate a range of economic instruments to support the implementation of environment and climate policies.

Table 1: Summary of Project

<b>Project Period:</b> September 2013-September 2015 (24 months)
<b>Target Area:</b> Jakarta (Project Office) and pilot sites
<b>Target Group</b> (Direct beneficiary): MOF, local governments at pilot sites
<b>Overall Goal:</b> Green Economy Policy is promoted in Indonesia
<b>Project Purpose:</b> The Capacity of the FPA, as research-based policy unit within MOF of Indonesia, for promoting green economy is improved
<b>Output 1:</b> Capacity of FPA to formulate and implement a funding mechanism for local action plan for greenhouse gas (GHG) emission reduction (RAD-GRK) is obtained.
<b>Output 2:</b> Capacity of FPA to formulate fiscal and financial incentives in promoting green cities is enhanced.
<b>Output 3:</b> Capacity of FPA to introduce agriculture insurance is enhanced.
<b>Output 4:</b> Capacity of FPA to evaluate a range of economic instruments to support the implementation of environment and climate policies is enhanced.

The following activities have been identified by the terminal evaluation as those which need to be finalized by the completion of the Project:

- To finalize financial support mechanism for RAD-GRK
- To finalize study on insurance premium subsidy
- To prepare input to the Local/Provincial Government to draft the Regulation on environmental service payment

## 2. Status and assessment of the progress of the activities

The above-listed activities have been completed with their intended results as follow:

### 2.1. Financial support mechanism for RAD-GRK

The study on tagging and scoring has been carried out in agriculture and forestry sectors in the pilot area, South Sumatra Province, as a part of capacity development for financial assistance mechanism for promoting RAD-GRK implementation. The purpose of study is to monitor and evaluate the progress of RAD-GRK from the perspective of budget disbursement for the relevant development programs. The study has been completed by October 2015 through the following steps: (1) to identify the development programs of the RPJMD as mitigation actions of RAD-GRK, (2) to identify the respective budget codes of such programs, (3) to track the spending amounts of such programs by budget code, and (4) to make comparative assessments of mitigation effects per unit of spending amount between the concerned development programs. Given the importance of tagging activity, the guideline for tagging was also developed for dissemination to other provinces. Introduction of tagging and scoring mechanism for local mitigation actions is highly appreciated by local government, especially Regional Development Planning Agency (BAPPEDA) as those financing systems enhance accountability and transparency of mitigation actions, and promote efficient use of provincial budget.

### 2.2. Study on agricultural insurance

As a mandate of Director of State Financial Risk Management (FRM) to formulate the ministerial decree for crop insurance, FPA has shared the Output3 responsibility to the FRM, which has been fully involved in the drafting of the roadmap concerning crop insurance for the year 2015-2019. Training about the NOSAI system was conducted August 2015 to enhance their knowledge on Japanese agriculture insurance scheme as one of the potential models to apply in Indonesia.

### 2.3. Environmental service payment

As a part of the review on a draft legal document on environmental economic instruments formulated by KLHK, the brief overview of environmental service payment was conducted in 2014. The Project has implemented the survey to consider a possible design of environmental service payment in Pagar Alam City of South Sumatra Province (carbon sequestration) and Pangandaran District in West Java (sustainable tourism) as pilot activities. The Project has supported the completion of the study to formulate the appropriate model of environmental service payment in each pilot area by October 2015. Recommendations on possible mechanism for environmental service

payment in the respective areas are expected to be considered for future legalization by each local government in order to secure an appropriate implementation.

[Annex]

Annex1: Terminal Evaluation Report on the Project for Capacity Development for Green Economy Policy in Indonesia

Annex2: Deliverable List

Annex3: Actual Project Operation

Annex4: Short-term Expert

Annex5: Counterpart Training in Japan

Annex6: Project Operational Cost

Annex7: Counterpart Personnel

Annex8: History of PDM

Annex9: Record of Joint Coordination Committee (JCC)

MINUTES OF MEETINGS  
BETWEEN JAPAN INTERNATIONAL COOPERATION AGENCY AND  
THE MINISTRY OF FINANCE OF THE GOVERNMENT OF  
THE REPUBLIC OF INDONESIA  
ON THE TERMINAL EVALUATION OF  
THE PROJECT FOR CAPACITY DEVELOPMENT FOR GREEN ECONOMY POLICY  
IN INDONESIA

In line with the Record of Discussions (hereinafter referred to as "R/D") signed between the Ministry of Finance (hereinafter referred to as "MOF") and the Japan International Cooperation Agency (hereinafter referred to as "JICA") for the Project for Capacity Development for Green Economy Policy in Indonesia (hereinafter referred to as "the Project") on August 29<sup>th</sup> 2013, a study for terminal evaluation of the Project was conducted from May 9<sup>th</sup> to June 5<sup>th</sup> 2015.

As a result of discussions, both parties agreed to summarize the results of the terminal evaluation in the Terminal Evaluation Report attached hereto.

Jakarta, June 5<sup>th</sup> 2015



Mr. Yutaka Fukase  
Director, Environmental Management  
Team1, Environmental Management  
Group, Global Environment Development,  
JICA

for



Dr. Syurkani Ishak Kasim  
Director Center for Climate Change  
Financing and Multilateral Policy  
Fiscal Policy Agency  
Ministry of Finance

**Terminal Evaluation Report**  
**on**  
**The Project for Capacity Development for Green Economy Policy in**  
**Indonesia**

**Terminal Evaluation Team**

June 2015



Contents

1. Introduction..... 4  
1-1. Background of the Project ..... 4  
1-2. Member of the Terminal Evaluation Team..... 4  
1-3. Schedule of the Review ..... 5  
1-4. Summary of the Project..... 5  
2. Methodology of Review ..... 6  
2-1. Process of the Terminal Evaluation ..... 6  
2-2. Criteria of Evaluation..... 6  
2-3. Data Collection Method ..... 7  
3. Project Performance and Implementation Process ..... 8  
3-1. Inputs ..... 8  
3-2. Progress of Activities ..... 9  
3-3. Achievement of Outputs ..... 9  
3-4. Achievement of Project Purpose ..... 11  
3-5. Prospective on Achievement of the Overall Goal..... 12  
3-6. Implementation Process..... 12  
4. Evaluation Results ..... 14  
4-1. Relevance:..... 14  
4-2. Effectiveness: ..... 14  
4-3. Efficiency: ..... 15  
4-4. Impact: ..... 15  
4-5. Sustainability: ..... 16  
5. Recommendations and Lessons Learned ..... 18  
5-1. Recommendations ..... 18  
5-2. Lessons Learned..... 18

ANNEX 1: PDM (Version No.3)

ANNEX 2: PO (Version No.1)

ANNEX 3: Short-term Experts

ANNEX 4: Local Cost by Japanese Side

ANNEX 5: Counterpart List

ANNEX 6: Training in Japan

31

2

### Abbreviations

BAPPEDA	Regional Development Planning Agency
BAPPENAS	National Development Planning Agency
BMKG	Meteorological, Climatological and Geophysical Agency
COP	Conference of the Parties
DAC	Development Assistance Committee
OECD	Organization for Economic Co-operation and Development
FPA	Fiscal Policy Agency
GHG	Greenhouse Gas
GOI	Government of Indonesia
IDR	Indonesian Rupiah
JCC	Joint Coordinating Committee
JICA	Japan International Cooperation Agency
KLHK	Ministry of Environment and Forestry
MOA	Ministry of Agriculture
MEMR	Ministry of Energy and Mineral Resources
MMFA	Ministry of Marine and Fishery Affairs
MOF	Ministry of Finance
PDM	Project Design Matrix
PLN	State-owned electricity company / Perusahaan Listrik Negara
PU	Ministry of Public Works and Public Housing
RAD-GRK	Provincial Action Plan for Greenhouse Gas Emission Reduction
RAN-API	National Climate Change Adaptation Action Plan
RAN-GRK	National Action Plan for Greenhouse Gas Emission Reduction
RPJMD	Regional Medium Term Development Plan
RPJMN	National Medium Term Development Plan
UNFCCC	United Nations Framework Convention on Climate Change



## 1. Introduction

### 1-1. Background of the Project

Recognizing climate change as the biggest challenge and threat faced by human beings, the Government of Indonesia (GOI) has made several important contributions to address impacts of climate change. In 2007, it hosted the 13th Conference of the Parties (COP13) to the United Nations Framework Convention on Climate Change (UNFCCC) in Bali. In 2009, GOI made a voluntary commitment to reduce its greenhouse gas (GHG) emissions by 26 percent below the business-as-usual scenario by 2020 using domestic resources and by up to 41 percent with international support.

Following the commitment, GOI has issued the presidential regulation No.61/2011, on the National Action Plan for Greenhouse Gas Emission Reduction (RAN-GRK). Under the regulation, it has supported all the provincial governments in the completion of Provincial Action Plan for GHG Emission Reduction (RAD-GRK). GOI is also accelerating its adaptation efforts, which include development of the National Action Plan for Adaptation (RAN-API).

Fiscal and financial mechanisms and instruments need to be well designed to support the implementation of such action plans. In this relation, Fiscal Policy Agency (FPA) is in charge of undertaking the role to address fiscal and financial responses to climate change issues. Therefore FPA need to build capacity to conduct policy assessments and provide the recommendations on effective budget allocation, resource mobilization, fiscal incentives and other interventions to promote climate change actions in Indonesia. Recognizing the needs, the Ministry of Finance (MOF) requests the Government of Japan to support in enhancing the capacity of FPA on fiscal and financial policy formulation on climate change.

With these backgrounds, Japan International Cooperation Agency (JICA) implements "the Project of Capacity Development for Green Economy Policy" (hereinafter: the Project) from June 2013 to October 2015. The Project aims at capacity development of FPA for promoting green economy policy.

### 1-2. Member of the Terminal Evaluation Team

Both sides agreed to establish the Joint Terminal Evaluation Team (hereinafter referred to as "the Team"). The members of the Team are shown below.

(Japanese Side)

Designation	Name	Organization
Team Leader	Yutaka Fukase	Director, Environmental Management Team1, Environmental Management Group, Global Environment Development, JICA
Cooperation Planning	Takahiro Ikenoue	Acting Director, Environmental Management Team1, Environmental Management Group, Global Environment Development, JICA
Evaluation Analysis I	Haruo Ito	Senior Consultant, ICONS Inc.
Evaluation Analysis II	Tepei Okano	Consultant, ICONS Inc.

31

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(Indonesian Side)

Name	Organization
Mr. Muchtar Muchamad	Local consultant

### 1-3. Schedule of the Review

The Terminal Evaluation was conducted from 9 May to 6 Jun 2015. During the period, the team exchanged their views and had a series of discussions with FPA and other concerned organizations.

### 1-4. Summary of the Project

#### 1-4-1. Project framework

The Project have been implemented with the aim to promote green economy in Indonesia through capacity building of FPA to formulate and implement a funding mechanism for RAD-GRK, to formulate fiscal and financial incentives in promoting green cities, to introduce crop insurance, and to evaluate a range of economic instruments to support the implementation of environment and climate policies. The Project framework shown in Table 1 is based on the Project Design Matrix (PDM) ver.3 (See Annex 1).

Table 1: Project Framework

<b>Project Period:</b> September 2013-September 2015 (24 months)
<b>Target Area:</b> Jakarta (Project Office) and pilot sites
<b>Target Group (Direct beneficiary):</b> MOF, local governments at pilot sites
<b>Overall Goal:</b> Green Economy Policy is promoted in Indonesia
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<b>Output 2:</b> Capacity of FPA to formulate fiscal and financial incentives in promoting green cities is enhanced.
<b>Output 3:</b> Capacity of FPA to introduce agriculture insurance is enhanced.
<b>Output 4:</b> Capacity of FPA to evaluate a range of economic instruments to support the implementation of environment and climate policies is enhanced.

#### 1-4-2. implementation Structure of the Project

##### (1) MOF

- Chairman of FPA, MOF, as the Project Director, bears overall responsibility for the Project.
- Director of Climate Finance and Multilateral Policy, MOF, as the Project Manager, is responsible for the managerial and technical matters of the Project.

##### (2) JICA Experts

The JICA experts give necessary technical guidance, advice and recommendations to MOF on any matters pertaining to the implementation of the Project.

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### (3) Joint Coordinating Committee

Joint Coordinating Committee (hereinafter referred to as JCC) established in order to facilitate inter-organizational coordination. JCC is held at least once a year and whenever deems it necessary.

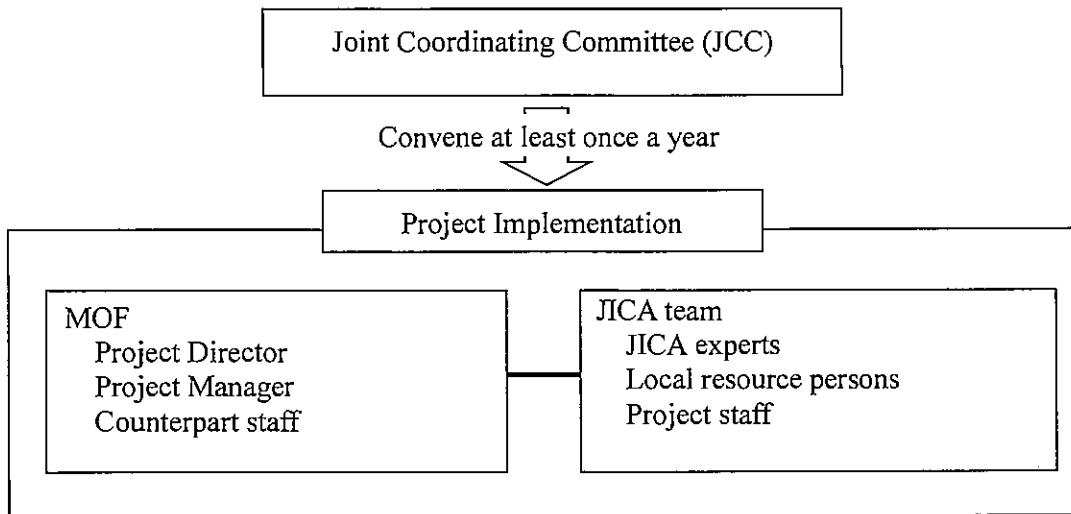


Figure1: Implementation Structure

## 2. Methodology of Review

### 2-1. Process of the Terminal Evaluation

The Terminal Evaluation was conducted based on the revised PDM ver. 3 of July 2013. In accordance with the JICA Project Evaluation Guideline of June 2011, the Terminal Evaluation of the Project was conducted in the following manner;

- (1) To review the Project Performance with focus on (i) the results of Inputs and Outputs implemented and (ii) the degree of achievement of Outputs, Project Purpose and Overall Goal based on the indicators set in the PDM version 3;
- (2) To analyze factors that promoted and/or inhibited the project performance including matters related to both the project design and project implementation process;
- (3) To evaluation the Project based on the five evaluation criteria: "relevance", "effectiveness", "efficiency", "impact", and "sustainability"; and
- (4) To make recommendations to stakeholders of the Project and derive lessons from the Project for improving planning and implementation of similar technical cooperation project in the future.

### 2-2. Criteria of Evaluation

Table 2 shows five evaluation criteria established by the Development Assistance Committee (DAC), Organization for Economic Co-operation and Development (OECD), which are to be applied in the

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## Terminal Evaluation.

Table 2: Five Evaluation Criteria

Criterion	Criteria
Relevance	Examines the extent to which the aid activity is suited to the priorities donor: Does the goal of the aid activity meet the needs of beneficiaries? Are the activities and outputs of the program consistent with the overall goal and the attainment of its objectives?
Effectiveness	Measures the extent to which a program or a project attains its objectives
Efficiency	Measures the extent to which a program or a project attains its objectives
Impact	Examines positive and negative changes as a result of the project. This includes direct and indirect effects and expected and unexpected effects
Sustainability	Sustainability Relates to whether the benefits of the project are likely to continue after the closure of the project.

Source: JICA Guideline for Project Evaluation

### 2-3. Data Collection Method

Both quantitative and qualitative data were collected and utilised for analysis. Data collection methods used for the Terminal Evaluation were as follows:

- Literature/document review
- Questionnaire
- Key informant interviews
- Participatory review workshop
- Direct observation at pilot sites

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### 3. Project Performance and Implementation Process

#### 3-1. Inputs

##### 3-1-1. Inputs by the Japanese Side

Table 3 shows the comparison of the planned as per PDM ver. 3 of July 2013 and actual inputs from the Japanese side.

Table 3: Inputs by the Japanese Side

Planned (as per PDM ver.3)	Actual (as of April 2015)
[Japanese Experts] 1) JICA experts 2) Local resource persons	[Japanese Experts] 1) JICA experts (Chief Advisor and experts in other fields) 2) Local resource persons
[Counterpart Training] Short-term training of counterpart personal in Japan	[Counterpart Training in Japan] (See Annex 6) • Trainings in Japan (in total 16 counterparts) MOF:13 Ministry of Marine and Fishery Affairs (MMFA) :1 BAPPEDA South Sumatra :2
[Project Operational Cost] Operational expenses as necessary	[Project Operational Cost ] (See Annex 4) • Totally 2,926,830,914 IDR has been allocated as the project operational cost (operating expenses, rewards, travel and meeting costs etc.)

##### 3-1-2. Inputs from the Indonesia side

Table 4 shows the comparison of the planned (as per PDM ver.3 of July 2013) and actual inputs from the Indonesia side.

Table 4: Inputs by the Indonesia Side

Planned (as per PDM ver.3)	Actual (as of April 2015)
[Allocation of Counterpart Personnel] 1) Project Director (Chairman of FPA) 2) Project Manager (Director, Center of Climate Finance and Multilateral, FPA) 3) Staff as project counterparts	[Allocation of Counterpart Personnel] (See Annex 5) Chairman of FPA, MOF, as the Project Director, Director of FPA for Change Finance and Multilateral Policy, MOF, as the Project Manager
[Others] Provision of the project office and facilities necessary for the project implementation. 1) Service of MOF's counter personnel and administrative personnel 2) Suitable office space with necessary equipment 3) Available data and information related to the Project 4) Local cost necessary for the implementation of the Project	[Others] 10 counterparts have been allocated for the implementation of the Project.

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### 3-2. Progress of Activities

Most of the planned activities have been implemented according to the PO ver.1 developed in July 2013 (See Annex 2). Table 4 shows the activities and progress of the Project.

Table 4: Progress of Activities

Output 1 Plan and implement a funding mechanism	<ul style="list-style-type: none"> <li>The study on tagging and scoring<sup>1</sup> has been carried out in the waste and agriculture/forestry sectors in South Sumatra as a part of capacity development on financial assistance mechanism for promoting RAD-GRK. The report and draft guideline for tagging to prioritize actions of RAD-GRK have already been developed. The study for scoring is in the initial stage and its report and guideline will be finalized by August 2015.</li> </ul>
Output 2 Plan fiscal and financial incentives	<ul style="list-style-type: none"> <li>The study on financial and fiscal incentive for promoting energy efficiency in building sector in city level including comparative study with relevant cases in other Asian countries has been conducted by a Japanese consultant team with FPA.</li> <li>The challenges and barriers in the implementation of energy saving policies, including the dissemination of low-carbon technologies, have been identified. The fiscal and financial incentive to promote a green city was also reviewed and the final report of study on green city development was compiled in March 2015.</li> <li>High level training in Japan "Green Economy Policy and Financial /Fiscal Incentives" was held in November 2014. 13 officials from MOF, 1 official from MMFA and 2 officials from BAPPEDA South Sumatra (in total 16 officials) participated in the training. The participants learned the role of the central government (such as Ministry of Environment and Ministry of Economy, Trade and Industry) on the promotion of green cities through the case of Kitakyushu. At the same time, participants exchanged views and opinions with the Ministry of Finance of Japan.</li> </ul>
Output 3 Plan the introduction of crop insurance	<ul style="list-style-type: none"> <li>The study on insurance premium and subsidy is being conducted. MOF, BAPPENAS, MOA, and other concerned parties have discussed the necessary legal and policy instruments and implementation structure.</li> <li>An outline for the ministerial decree for implementation of crop insurance was developed. A final version of the decree is under discussion.</li> <li>Seminars for crop insurance took place in 2014. Short term experts from the National Agricultural Insurance Association and the Ministry of Agriculture, Forestry and Fisheries of Japan were dispatched as lecturers for the seminars.</li> </ul>
Output 4 Evaluate a range of economic instruments	<ul style="list-style-type: none"> <li>As a part of review on the draft legal document on Environmental Economic Instrument which was formulated by Ministry of Environment and Forestry (KLHK), a brief overview of environmental service payment was conducted and compiled in a report.</li> </ul>

### 3-3. Achievement of Outputs

#### 3-3-1. GE

**Output 1: Capacity of FPA to formulate and implement a funding mechanism for RAD-GRK is obtained.**

The indicators of output 1 are expected to be achieved by the end of the Project. The study on tagging and scoring has been carried out in South Sumatra province as a pilot activity. The report and draft

<sup>1</sup> Tagging and scoring is a mechanism which clarifies and prioritizes target activities for funding by the provincial government.

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guideline for tagging have been developed. The guideline needs to be finalized and to be approved by FPA for the dissemination to other areas. On the other hand, the study for scoring has been in the process of the implementation. The Project will develop the report and guideline of scoring by August 2015. Introduction of the tagging and scoring systems for RND-GRK is highly appreciated especially by BAPPEDA officials as those financing systems enhance accountability and transparency of mitigation actions, and promote efficient use of provincial budget.

Indicators	Achievement
1-1. Application by provincial government(s) for financial assistance for RAD-GRK is received by MOF.	<ul style="list-style-type: none"> <li>The pilot study on tagging and scoring has been carried out in South Sumatra as a part of capacity development on financial assistance mechanism for promoting RAD-GRK.</li> </ul>
1-2. Reporting on the implementation of financial assistance for RAD-GRK is received by MOF.	<ul style="list-style-type: none"> <li>Development of the report and draft guideline for tagging has been completed. As to scoring, it is in the process of implementation and its report and guideline will be developed by August 2015.</li> </ul>

**Output 2: Capacity of FPA to formulate fiscal and financial incentives in promoting green cities is enhanced.**

The indicators of output 2 have been achieved. Study on financial and fiscal incentive for promoting energy efficiency in building sector in city level, including comparative study with relevant cases in other countries, has been conducted by a Japanese consultant team based on the study plan which was developed through discussion with FPA, Ministry of Energy and Mineral Resources (MEMR) and a state-owned electricity company (PLN). Several policy instruments have been analysed in the study. The results were compiled in a report and shared with the above ministries and organization. For the implementation of the promotion of green cities based on the results of the Project, FPA suggested that it is still necessary to compare the results of several studies to identify the optimal approaches for the green city policy.

Indicators	Achievement
2-1. A range of policy instruments for the promotion of green cities is analyzed.	<ul style="list-style-type: none"> <li>On the basis of the study plan which was developed through discussion with FPA, MEMR and PLN, the study on financial and fiscal incentive for promoting energy efficiency in building sector in city level, including comparative study with relevant cases in other countries, has been conducted by a Japanese consultant team.</li> </ul>
2-2. Fiscal and financial incentives to promote green cities are proposed for selected pilot case(s).	<ul style="list-style-type: none"> <li>Seminar for sharing the result of the study on financial and fiscal incentive was held in February 2015 for PLN, Ministry of Public Works and Public Housing (PU) and MEMR.</li> <li>Final report has been submitted in March 2015.</li> </ul>

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**Output 3: Capacity of FPA to introduce crop insurance is enhanced.**

The indicator of output 3 is expected to be achieved. In addition, introduction of crop insurance is mandated by Law No.19 of 2013 concerning farmer protection and empowerment. The study on insurance premium and subsidy has been conducted. A ministerial decree of MOF related to crop insurance has been drafted and are planned to be discussed soon after a ministerial decree of MOA related to crop insurance is finalised.

MOF (Director of State Financial Risk Management) have also been fully involved in the formulation of the roadmap of crop insurance 2015-2019.

Indicators	Achievement
3-1. Policy recommendations on the introduction of agriculture insurance are presented.	<ul style="list-style-type: none"><li>• General guideline and technical guideline have been developed.</li><li>• A ministerial decree of MOF related to crop insurance is being discussed soon after the ministerial decree of MOA is approved.</li></ul>

**Output 4: Capacity of FPA to evaluate a range of economic instruments to support the implementation of environment and climate policies is enhanced.**

The indicators of output 4 have been achieved. As a part of review on a draft legal document on environmental economic instruments formulated by KLHK, the brief overview of environmental service payment was conducted. As pilot activities the Project implement different environmental economic instruments in Pagaralam city in South Sumatra (carbon sequestration) and Pangandaran district in West Java (sustainable tourism). Through the pilot activities, the Project formulates the appropriate model of environmental service payment. And the results of pilot activities and policy recommendations have been compiled in a report in February 2015.

Indicators	Achievement
4-1 Policy Recommendations on the environmental economic instruments are presented.	<ul style="list-style-type: none"><li>• The brief overview of environmental service payment has been organized and compiled in a report in February 2015. The report includes policy recommendations.</li></ul>

**3-4. Achievement of Project Purpose**

**Project Purpose: The Capacity of the FPA, as a research-based policy unit within MOF of Indonesia, for promoting green economy is improved.**

Most of the counterparts of FPA pointed out that their capacity for promoting green economy has been improved since the initiation of the Project. While many activities of the Project have been provided by local resource persons (or Japanese consultants), FPA has been made an effort to strengthen the viability of the concerned policies and coordination among the related ministries, in parallel with the involvement in planning and monitoring of the those tasked to local resource persons.

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Indicators	Achievement
Some of the documents produced in the project are issued in the name of FPA/MOF/Government of Indonesia.	<ul style="list-style-type: none"> <li>The following documents will be issued in the name of Government of Indonesia. <ul style="list-style-type: none"> <li>- Guideline on tagging, coding and scoring</li> <li>- Roadmap on the introduction of crop insurance</li> </ul> </li> </ul>
The degree of FPA's participation in the activities.	<ul style="list-style-type: none"> <li>FPA has been making efforts for strengthening the viability of the concerned policies and coordination among the related ministries, in parallel with participation in the stages of planning and monitoring of those tasked to local resource persons.</li> </ul>

### 3-5. Prospective on Achievement of the Overall Goal

*Overall Goal: Green Economy Policy is promoted in Indonesia.*

Although it is suggested that further capacity development of FPA on the economic instrument for green economy is necessary to implement recommended actions of fiscal and financial incentives by the Project, the overall goal is likely to be achieved in the future as the crop insurance is also planned to be introduced at a full scale in 2016 with cooperation between BAPPENAS, MOA, BMKG and other stakeholders. The fiscal and financial incentives recommended by the Project will be applied to the preliminary study of the future JICA project of energy saving.

Indicators	Achievement
The economic instrument for green economy is implemented.	<ul style="list-style-type: none"> <li>The crop insurance is also planned to be introduced at a full scale in 2016 with cooperation between BAPPENAS, MOA, BMKG and other stakeholders.</li> <li>The study results on fiscal and financial incentives in promoting green cities is applied to the preliminary study of the future JICA project of energy saving.</li> </ul>

### 3-6. Implementation Process

The followings were revealed as main contributing and constraining factors of the project implementation.

#### 3-6-1. Contributing Factors

##### (1) Coordination with Line Ministries

The Project has been implemented effectively through close coordination with ministries and other stakeholders involved. By stressing the ownership of FPA in planning and monitoring process of each activity, FPA comprehends the needs and financial issues of execution organizations. The collaboration between FPA and the related organizations enhances the ability of FPA to established effective financial mechanism. Also, by involving local resource persons, the Project is able to smoothly coordinate with decision makers of policies toward promoting green economy.

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**(2) Flexible Expert Allocation to Meet the Changing Needs**

To respond to the changing situation, the Project coordinates suitable combination of dispatching experts utilizing Japanese experts and local resource persons depending on the condition of the activities. Allocation of appropriate experts to each activity has resulted in effective and efficient implementation of the Project and technical transfer.

**3-6-2. Constraining Factors**

**(1) Transfer of Counterparts**

During the implementation of the Project, there were personnel changes in FPA. However the direction of the Project activities was not affected.

31

## **4. Evaluation Results**

### **4-1. Relevance: High**

The Project is intended to enhance ability of FPA to plan fiscal policy required for smooth execution of promoting green economy in order to resolve development issues such as securing budget for climate change countermeasures and promotion of fiscal incentive. These are highly consistent with the national policy and development needs of Indonesia.

#### **(1) Priority Issues in National Policy**

Indonesia declared an international voluntary commitment that they will reduce GHG emissions by 26% (or 41% if international support is provided) by 2020. To fulfil this commitment, "Presidential Regulation No. 61/2011 regarding RAN-GRK" was issued in September 2011, which was followed by formulation of RAD-GRK. The current RPJMN 2015-2019 explicitly states the execution of RAN-GRK and introduction of crop insurance.

#### **(2) Necessity**

MOA has conducted pilot crop insurance in 2012 and 2013 in some areas to provide protection to farmers in case of crop failure caused by drought, floods, pests and diseases. To reinforce the national support to farmers, the Government legislated the "Law No. 19 of 2013 on the Protection and Empowerment of Farmers" which mandates the development of crop insurance in Indonesia.

### **4-2. Effectiveness: High**

Probability of achievement of the project purpose is high and each output contributes to achievement of the project purpose. The relations between the project purpose and all outputs are also appropriate.

#### **(1) Achievement of Project Purpose**

As mentioned in "3-4. Achievement of Project Purpose," achievement of the project purpose "Capacity of the FPA for promoting green economy is improved" is highly probable. While many activities of the Project have been provided by local resource persons, FPA has strengthened the viability of the policy and coordination among the related ministries, participated in planning and monitoring of the project activities.

#### **(2) Relationship Between Outputs and Project Purpose**

All outputs have contributed to achievement of the project purpose aiming to building capacity of FPA for promoting green economy. All outputs (output 1 to 4) are expected to be achieved with the involvement of FPA in planning, implementation and monitoring of each activities, and through the involvement, capacity of FPA for promoting green economy has been developed successfully.

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### **(3) Important Assumptions Affecting Achievement of Project Purpose**

As the external conditions to achieve the project purpose, "the role of FPA as the research institute is maintained, and the role of promoting the fiscal policy of the Climate Finance and Multilateral Policy Centre related to climate change is maintained" are satisfied.

### **4-3. Efficiency: High**

The quality and timing of the project inputs are adequate and lead to outputs efficient. Utilizing local resource persons facilitates the Project to respond to emerging needs and coordinate between line ministries and MOF.

#### **(1) Efficiency of Inputs**

For the implementation of the project activities, local resource persons (e.g., university staff) are utilized under the supervision of the Project. Indonesian counterparts pointed that such utilization promotes flexibility of activities to address emerging needs, improves communication between the JICA experts and counterparts.

With regard to the training in Japan, the participants of the training express that the contents of the high level training in Japan "Green Economy Policy and Financial /Fiscal Incentives" in November 2014 was appropriate and applicable to strengthen their relations between national and local levels. Participants visited the Ministry of Environment in Japan, and learned their role on the promotion of green city. In addition another training in Japan related to the crop insurance was conducted in June 2014, and the Japanese crop insurance model was studied by the training participants.

#### **(2) Cooperation with Concerned Ministries**

The coordination between the MOF and other ministries has been promoted, for instance, through developing the crop insurance, cooperation between multiple ministries, BAPPENAS, MOA, BMKG, and MOF was enhanced. The cooperation with concerned ministries also ensures the effective implementation of the Project.

### **4-4. Impact: Middle**

The overall goal is expected to be achieved after end of the Project. Given that the Project has been implemented for less than 2 years, significant impacts on the green economy policy have not yet been revealed.

#### **(1) Expectation of Achievement of Overall Goal**

As mentioned in "3-5. Prospective on Achievement of the Overall Goal", the overall goal is likely to be

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achieved in the future. Economic instruments for green economy will be implemented as the study results on fiscal and financial incentives in promoting green cities is applied to the preliminary study of the future JICA project of energy saving. The crop insurance is also planned to be introduced at a full scale in 2016 with cooperation between BAPPENAS, MOA, BMKG and other stakeholders.

**(2) Enhancement of mechanism on financial assistance**

Introduction of the tagging and scoring systems for mitigation actions is able to enhance accountability and transparency of the mitigation actions, and promote efficient use of provincial budget.

**(3) Enhancement of Cooperation**

The activities of financial support mechanism for RAN-GRK and the introduction of the crop insurance enhance the coordination process between line ministries, and contribute to improving political integrity.

**4-5. Sustainability: Relatively high**

The political, organizational and financial sustainability will be secured as the Project has already been aligned with the existing policies and plans. For the technical aspect of sustainability, continuous capacity development of FPA, local governments and stakeholders is required to respond to emerging needs for green economy development.

**(1) Political Aspect**

In RPJMN (2015-2019) established during the Project term, introduction of the crop insurance were clearly mentioned in addition to execution of RAN-GRK. Also in the pilot sites, integration of RAD-GRK into the Regional Medium Term Development Plan (RPJMD) was made. Further, the RPJMN 2015-2019 has been stated that the government commitment is remained continued.

**(2) Organizational and Financial Aspects**

Extraction and prioritization of mitigation actions to which the financial support mechanism is applied in RAN-GRK (output 1) (tagging and scoring) have been in progress under support of local resource persons with cooperation with BAPPEDA. After the financial support mechanism is established, efficient distribution of budget will be realized and improvement of sustainability to promote RAD-GRK is also expected. The study of fiscal and financial incentive to promote green city will be taken over to the energy-saving promotion projects (technical cooperation) planned by JICA.

**(3) Technical Aspect**

FPA has strengthened the viability of the concerned policies and coordination among the related ministries, and involved in planning and monitoring of the project activities. Through those

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responsibilities, the capacity of FPA for the development of green economy has been improved. However, FPA was suggested further capacity development to respond to emerging needs for green economy. For extraction and prioritization of mitigation actions at the local level, financial support mechanism for RAN-GRK, technical transfer of the local government is now in a smooth progress.

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## 5. Recommendations and Lessons Learned

### 5-1. Recommendations

#### 5-1-1 Recommendation before end of the Project

##### (1) Completion of Activities

Project activities listed in the table below are planned until the completion of the Project (October 2015). It is required to complete these outputs during the remaining project period.

Activity	Schedule
● Finalize financial support mechanism for RAD-GRK	August
● Finalize study on insurance premium subsidy	August
● Prepare input to the Local/Provincial Government to draft the Regulation on environmental service payment	

#### 5-1-2 Recommendation after end of the Project

##### (1) Disseminating Pilot Activity Results to Other Areas

The Project emphasises the implementation of pilot activities that validate and optimize fiscal policy and policy instruments for replication or scaling up to other areas. The lessons aggregated through pilot activities have also been summarized as guidelines and manuals. The further promotion of green economy policy at the national and local level by utilizing these results and spreading them to other areas is required.

### 5-2. Lessons Learned

The implementation of the ground testing in pilot sites contributes to validating and optimizing fiscal policy and policy instruments for replication or scaling up to other areas, and strengthening feasibility of the policy. The results from the ground testing may also contribute to convincing decision makers and facilitating mainstreaming process to the development plans. Given the validity of the results from the ground testing, selection criteria (geographical and social factors etc.) and necessary number of participants of pilot sites should be carefully considered at the planning stage.

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Project Title: Project of Capacity Development for Green Economy Policy  
 Project Period: September 2013 – September 2015 (24 months)  
 Target Area: Jakarta (Project office) and pilot sites  
 Target Group: Direct Beneficiary: MOF, local governments at pilot sites

Version No.3  
 Date: July 19, 2013

Narrative Summary		Objectively Verifiable Indicators	Means of Verification	Important Assumptions
Overall goal Green Economy Policy is promoted in Indonesia.		1. The economic instruments for green economy is implemented.	1. Document by MOF	
Project purpose The Capacity of the FPA, as a research-based policy unit within MOF of Indonesia, for promoting green economy is improved		1. Some of the documents produced in the project are issued in the name of FPA/MOF/Government of Indonesia. 2. The degree of FPA's participation in the activities.	- Document publication  - Project report	1. Projects and programs for climate change mitigation and adaptation in Indonesia are steadily carried out.
Outputs 1. Capacity of FPA to formulate and implement a funding mechanism for RAD-GRK is obtained. 2. Capacity of FPA to formulate fiscal and financial incentives in promoting green cities is enhanced. 3. Capacity of FPA to introduce agriculture insurance is enhanced. 4. Capacity of FPA to evaluate a range of economic instruments to support the implementation of environment and climate policies is enhanced.		1-1. Application by provincial government(s) for financial assistance for RAD-GRK is received by MOF. 1-2. Reporting on the implementation of financial assistance for RAD-GRK is received by MOF. 2-1. A range of policy instruments for the promotion of green cities is analyzed. 2-2. Fiscal and financial incentives to promote green cities are proposed for selected pilot case(s). 3-1. Policy recommendations on the introduction of agriculture insurance are presented. 4-1. Policy Recommendations on the environmental economic instruments are presented	- Comprehensive plan and annual plan for RAD-GRK - Report on the implementation of RAD-GRK - Project report  - Comparative study on policy incentives for the promotion of green cities - Draft recommendations on fiscal and financial incentives for the promotion of green cities  - Draft recommendations on the introduction of agriculture insurance  - Draft recommendations on the environmental economic instruments	FPA role as research institute is maintained, and Center of Climate Change Financing and Multilateral role for promoting climate change fiscal and financing policy is maintained.



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Activities	Inputs	Pre-Condition
<p>1.1 Support socialization in selected province(s) about the regulation of the MOF on financial assistance for RAD-GRK</p> <p>1.2 Support selected provincial government(s) in developing a comprehensive plan for RAD-GRK activities, along with an annual plan for RAD-GRK activity implementation, for selected sector(s)</p> <p>1.3 Support selected provincial government(s) to draft quarterly report on the fund utilization to be submitted to the Ministry of Finance.</p> <p>1.4 Compile and document lessons learnt from the activities 1.1 to 1.3.</p> <p>1.5 Conduct seminar/workshop based on the activity 1.4 and document a proceeding.</p> <p>2.1 Review selected activities relating to green economy, in consideration of those issues which include private investment, technology transfer and green building, at pilot site(s).</p> <p>2.2 Document findings from the activity 2.1 and draft initial recommendations on fiscal and financial incentives to promote green economy.</p> <p>2.3 Conduct comparative study of the result of the activity 2.2 with cases of other selected cities, including those in Japan.</p> <p>2.4 Conduct a study visit for good practices in Japan.</p> <p>2.5 Compile and document lessons learnt from the activities above.</p> <p>2.6 Conduct consultation meetings based on the result of the activity 2.5.</p> <p>2.7. Draft final recommendations on fiscal and financial incentives to promote green economy.</p> <p>3.1 Review the past and ongoing pilot activities on agricultural insurance.</p> <p>3.2 Conduct a comparative study with relevant cases in other countries in Asia.</p> <p>3.3 Identify problems and gaps to be addressed by MOF.</p> <p>3.4 Draft initial recommendations to overcome the problems and gaps identified above.</p> <p>3.5 Conduct workshop based on the result of the activities above.</p> <p>3.6 Draft final recommendations on the introduction of agriculture insurance in the agricultural sector</p> <p>4.1 Facilitate discussions between MOF and Ministry of Environment on the draft government regulation "Instrumen Ekonomi Lingkungan Hidup (Environmental economic instruments)"</p> <p>4.2 Identify areas to conduct assessment.</p> <p>4.3 Conduct assessment in the areas identified above.</p> <p>4.4 Conduct a consultation meeting on the result of the assessment above.</p> <p>4.5 Draft final recommendations on environmental economic instruments.</p> <p>4.6 Conduct policy assessment on other issues relating to the promotion of green economy.</p>	<p><u>Japanese side</u></p> <p>1. Experts</p> <p>- JICA expert(s)</p> <p>- Local resource persons including the experts on stakeholder engagement and socialization (to be assigned based on the needs and relevant circumstances.)</p> <p>2. Training in Japan and/or other countries</p> <p>3. Local Expenses of project activities</p> <p>- Operational expenses as necessary</p> <p><u>Indonesian Side</u></p> <p>1. Counterpart Assignment</p> <p>- Project Director (Chairman of FPA)</p> <p>- Project Manager (Vice Chairman of FPA for Climate Change Financing and Multilateral Policy)</p> <p>- Staff as project counterparts</p> <p>2. Provision of the project office and facilities necessary for the project implementation</p> <p>3. Other operational expenses</p>	

Abbreviations: MOF (Ministry of Finance), FPA (Fiscal Policy Agency), RAD-GRK (Provincial Action Plan for GHG Emission Reduction)

2

ANNEX 2 :  
PO (Version No.1)

Version No.1  
Date: July 17, 2013

3

Activity	2013			2014			2015						
	9	10	11	12	1	2	3	4	5	6	7	8	9
1.1 Support socialization in selected province(s) about the regulation of the MOF on financial assistance for RAD-GRK													
1.2 Support selected provincial government(s) in developing a comprehensive plan for RAD-GRK activities, along with an annual plan for RAD-GRK activity implementation, for selected sector(s)													
1.3 Support selected provincial government(s) to draft quarterly report on the fund utilization to be submitted to the Ministry of Finance.													
1.4 Compile and document lessons learnt from the activities 1.1 to 1.3.													
1.5 Conduct seminar/workshop based on the activity 1.4 and document a proceeding.													
2.1 Review selected activities relating to green economy, in consideration of those issues which include private investment, technology transfer and green building, at pilot site(s).													
2.2 Document findings from the activity 2.1 and draft initial recommendations on fiscal and financial incentives to promote green economy.													
2.3 Conduct comparative study of the result of the activity 2.2 with cases of other selected cities, including those in Japan.													
2.4 Conduct a study visit for good practices in Japan.													
2.5 Compile and document lessons learnt from the activities above.													
2.6 Conduct consultation meetings based on the result of the activity 2.5.													
2.7 Draft final recommendations on fiscal and financial incentives to promote green economy.													
3.1 Review the past and ongoing pilot activities on agricultural insurance.													
3.2 Conduct a comparative study with relevant cases in other countries in Asia.													
3.3 Identify problems and gaps to be addressed by MOF.													
3.4 Draft initial recommendations to overcome the problems and gaps identified above.													
3.5 Conduct workshop based on the result of the activities above.													
3.6 Draft final recommendations on the introduction of agriculture insurance in the agricultural sector													
4.1 Facilitate discussions between MOF and Ministry of Environment on the draft government regulation													
4.2 Identify areas to conduct assessment.													
4.3 Conduct assessment in the areas identified above.													
4.4 Conduct a consultation meeting on the result of the assessment above.													



ANNEX 3:  
Short-term Experts

	Name	Field of expertise	Total days	M/M
1	Kimio YOSHIDA	Sustainable Urban Development	27	0.9
2	Yukihiko NAKAGAWA	Energy Conservation Policy	27	0.9
3	Yukimi SHIMURA	Financial Incentive	27	0.9

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ANNEX 4:  
Local Cost by Japanese Side

Currency: Indonesian Rupiah IDR

2013	2014	2015 as of 1st Quarter	Total
324,357,217	1,523,963,697	1,078,510,000	2,926,830,914

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ANNEX 5:  
Counterpart List

No	Name	Title	Organization
1	Dr. Suahasil Nazara	Chairman of Fiscal Policy Agency (FPA)	MOF
2	Dr. Syurkani Ishak Kasim	Director of Center for Climate Finance and Multilateral Policy	MOF
3	Dr. Joko Tri Haryanto	Researcher for Center of Climate Finance and Multilateral Policy	MOF
4	Mrs. Ria Sartika Azahari	Deputy Director Climate Change Fiscal Policy, Center for Climate Finance and Multilateral Policy	MOF
5	Mr. Kindy Rinaldi Syahrir	Deputy Director International Cooperation and Climate Finance, Center for Climate Finance and Multilateral Policy	MOF
6	Mr. Hageng Suryo Nugroho	Manager for Infrastructure and Environment Division, Center for Climate Finance and Multilateral Policy	MOF
7	Mrs. Dwi Utari	Manager for Climate Finance Division, Center for Climate Finance and Multilateral Policy	MOF
8	Mr. Brahmantio Isdijoso	Director of State Financial Risk Management	MOF
9	Mrs. Indria Wardhani	Manager for PSO Implementation on SOE, Directorate of State Financial Risk Management	MOF
10	Mr. Dzulfikar Kharisma	Staff, PSO Implementation on SOE, Directorate of State Financial Risk Management	MOF

31

7

ANNEX 6:  
Training in Japan

	Name	Organization	Title / Division	Training Institution/Place
Training Subject: Green Economy Policy and Financial /Fiscal Incentives				
Training Term: From November 23, 2014 to December 2, 2014				
1	Mr.Purwiyanto	MOF	Senior Advisor to the Ministry of Finance for State Expenditure	Ministry of Finance, Tokyo Metropolitan government, JETRO, Kitakyushu City
2	Mr.Syurkani Ishak	MOF	Director, Center for Climate Finance and Multilateral Policy, BKF	
3	Mr. Aep Soleh	MOF	Head of Sub Division for Fuel Subsidy Division, Center for State Budget Policy, BKF	
4	Ms.Dwi Utari	MOF	Head of Sub Division for Agriculture Sector, Division for Climate Change 1, Center for Climate Finance and Multilateral Policy	
5	Mr. Onie Nur Zahrowan	MOF	Analyst on Agricultural Sector, Center for Climate Finance and Multilateral Policy, BKF	
6	Mr. Asep Tata Husada	MOF	Analyst, Center for Climate Finance and Multilateral Policy, BKF	
7	Mr. M.Qoni Wisudawan	MOF	Analyst on Forestry Sector, Center for Climate Finance and Multilateral Policy, BKF	
8	Ms. Marhaeny Masye Tualai	MOF	Senior Analyst, Center for Climate Finance and Multilateral Policy, BKF	
9	Ms.Adisty Dwi Lestari	MOF	Analyst on Transportation Sector, Center for Climate Finance and Multilateral Policy, BKF	
10	Ms.Windy Kurniasari	MOF	Analyst on Climate Change, Center for Climate Finance and Multilateral Policy, BKF	
11	Ms. Sri Mulyani Soeparma	MOF	Head of Section of Accounting and Financial Reporting, Bureau of Planning and Finance, Secretariat General	
12	Ms. Didik Kusnaini	MOF	Head of Sub Directorate State Expenditure I, Directorate for State Budget Formulation, Directorate General, MOF	
13	Mr. Agus Budi Setiawan	MOF	Head of Sub Directorate, Directorate for Budgeting II, Directorate General of Budget.	
14	Mr. Enggar Sadtopo	MMFA	Head of Section for Coastal Disaster Mitigation, Sub Directorate for Environment Mitigation	
15	Mr.Yohannes H. Toruan	BAPPEDA South Sumatra	Head of Regional Development Planning Agency, South Sumatra	
16	Ms. Regina Aryanti	BAPPEDA South Sumatra	Head of UPTB, Spatial Planning, Regional Development Planning Agency, South Sumatra	

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## ANNEX 2: Deliverable List

### Deliverable List

No.	Title of deliverable	Year	Language
Output1			
1	Climate Change Mitigation Tagging Report of South Sumatra Province	2014	IN EN
2	Practical Guideline for Climate Change Mitigation Budget Tagging	2015	IN EN
3	Analysis of Extreme Climate Adaptation Action Tagging in North Sumatra	2015	IN EN
4	Budget Scoring of Climate Change Mitigation Actions in South Sumatra Province	2015	IN EN
5	Testing of Budget Tagging of Climate Change Mitigation and Adaptation in East Java	2015	IN EN
Output2			
6	Research on Green Urban Development	2015	JP EN IN
Output 3			
7	Roadmap and Agricultural Insurance in Indonesia 2015-2019	2015	IN EN
Output 4			
8	Mapping of Environmental Economic Instrument: Environmental Service Payment (ESP) Mechanism Development	2015	IN EN
9	Environmental Service Payment (ESP) Implementation in West Java and South Sumatra Provinces	2015	IN EN







ANNEX 4:  
Short-term Expert

	<b>Name</b>	<b>Field of expertise</b>	<b>Total days</b>	<b>M/M</b>
1	Kimio YOSHIDA	Sustainable Urban Development	27	0.9
2	Yukihiko NAKAGAWA	Energy Conservation Policy	27	0.9
3	Yukimi SHIMURA	Financial Incentive	27	0.9

ANNEX 5:  
Training in Japan

	Name	Organization	Title / Division	Training Institution/Place
<b>Training Subject: Green Economy Policy and Financial /Fiscal Incentives</b>				
<b>Training Term: From November 23, 2014 to December 2, 2014</b>				
1	Mr.Purwiyanto	MOF	Senior Advisor to the Ministry of Finance for State Expenditure	Ministry of Finance, Tokyo Metropolitan government, JETRO, Kitakyushu City
2	Mr.Syurkani Ishak	MOF	Director, Center for Climate Finance and Multilateral Policy, BKF	
3	Mr. Aep Soleh	MOF	Head of Sub Division for Fuel Subsidy Division, Center for State Budget Policy, BKF	
4	Ms.Dwi Utari	MOF	Head of Sub Division for Agriculture Sector, Division for Climate Change 1, Center for Climate Finance and Multilateral Policy	
5	Mr. Onie Nur Zahrowan	MOF	Analyst on Agricultural Sector, Center for Climate Finance and Multilateral Policy, BKF	
6	Mr. Asep Tata Husada	MOF	Analyst, Center for Climate Finance and Multilateral Policy, BKF	
7	Mr. M.Qoni Wisudawan	MOF	Analyst on Forestry Sector, Center for Climate Finance and Multilateral Policy, BKF	
8	Ms. Marhaeny Masye Tualai	MOF	Senior Analyst, Center for Climate Finance and Multilateral Policy, BKF	
9	Ms.Adisty Dwi Lestari	MOF	Analyst on Transportation Sector, Center for Climate Finance and Multilateral Policy, BKF	
10	Ms.Windy Kurniasari	MOF	Analyst on Climate Change, Center for Climate Finance and Multilateral Policy, BKF	
11	Ms. Sri Mulyani Soeparma	MOF	Head of Section of Accounting and Financial Reporting, Bureau of Planning and Finance, Secretariat General	
12	Ms. Didik Kusnaini	MOF	Head of Sub Directorate State Expenditure I, Directorate for State Budget Formulation, Directorate General, MOF	
13	Mr. Agus Budi Setiawan	MOF	Head of Sub Directorate, Directorate for Budgeting II, Directorate General of Budget.	
14	Mr. Enggar Sadtopo	MMFA	Head of Section for Coastal Disaster Mitigation, Sub Directorate for Environment Mitigation	
15	Mr.Yohannes H. Toruan	BAPPEDA South Sumatra	Head of Regional Development Planning Agency, South Sumatra	
16	Ms. Regina Aryanti	BAPPEDA	Head of UPTB, Spatial Planning,	

ANNEX 5:  
Training in Japan

		South Sumatra	Regional Development Planning Agency, South Sumatra	
<b>Training Subject: NOSAI and Agriculture Insurance, the case in Japan</b>				
<b>Training Term: August 24-18, 2015</b>				
17	Mr. Brahmantio Isdijoso	MOF	Director of State Financial Risk Management	NOSAI, Chiba NOSAI, Tokio Marine & Nichido Fire Insurance Co., Ltd., Chiba University
18	Mr. Tony Prianto	MOF	Acting Head for Subdirectorate of SOE Risk Mitigation, Directorate of State Financial Risk Management	
19	Mr. Dzulfikar Kharisma	MOF	Staff of Directorate of State Financial Risk Management	

ANNEX 6:  
Local Cost by Japanese Side

Currency: Indonesian Rupiah IDR

<b>2013</b>	<b>2014</b>	<b>2015 as of 2nd Quarter</b>	<b>Total</b>
324,357,217	1,523,963,697	1,725,070,000	3,573,390,914

ANNEX 7:  
Counterpart List

No	Name	Title	Organization
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2	Dr. Syurkani Ishak Kasim	Director of Center for Climate Finance and Multilateral Policy, FPA	MOF
3	Dr. Joko Tri Haryanto	Researcher for Center of Climate Finance and Multilateral Policy, FPA	MOF
4	Mrs. Ria Sartika Azahari	Deputy Director Climate Change Fiscal Policy, Center for Climate Finance and Multilateral Policy, FPA	MOF
5	Mr. Kindy Rinaldi Syahrir	Deputy Director International Cooperation and Climate Finance, Center for Climate Finance and Multilateral Policy, FPA	MOF
6	Mr. Hageng Suryo Nugroho	Manager for Infrastructure and Environment Division, Center for Climate Finance and Multilateral Policy, FPA	MOF
7	Mrs. Dwi Utari	Manager for Climate Finance Division, Center for Climate Finance and Multilateral Policy, FPA	MOF
8	Mr. Brahmantio Isdijoso	Director of State Financial Risk Management	MOF
9	Mrs. Indria Wardhani	Manager for PSO Implementation on SOE, Directorate of State Financial Risk Management	MOF
10	Mr. Dzulfikar Kharisma	Staff, PSO Implementation on SOE, Directorate of State Financial Risk Management	MOF

## Project Design Matrix: PDM

Project Title: Project of Capacity Development for Green Economy Policy  
 Project Period: September 2013 – September 2015 (24 months)  
 Target Area: Jakarta (Project office) and pilot sites  
 Target Group: Direct Beneficiary: MOF, local governments at pilot sites

Version No.3

Date: July 19, 2013

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
<p><b>Overall goal</b> Green Economy Policy is promoted in Indonesia.</p>	<p>1. The economic instruments for green economy is implemented.</p>	<p>1. Document by MOF</p>	
<p><b>Project purpose</b> The Capacity of the FPA, as a research-based policy unit within MOF of Indonesia, for promoting green economy is improved</p>	<p>1. Some of the documents produced in the project are issued in the name of FPA/MOF/Government of Indonesia. 2. The degree of FPAs participation in the activities.</p>	<p>- Document publication - Project report</p>	<p>1. Projects and programs for climate change mitigation and adaptation in Indonesia are steadily carried out.</p>
<p><b>Outputs</b></p> <p>1. Capacity of FPA to formulate and implement a funding mechanism for RAD-GRK is obtained. 2. Capacity of FPA to formulate fiscal and financial incentives in promoting green cities is enhanced. 3. Capacity of FPA to introduce agriculture insurance is enhanced. 4. Capacity of FPA to evaluate a range of economic instruments to support the implementation of environment and climate policies is enhanced.</p>	<p>1-1. Application by provincial government(s) for financial assistance for RAD-GRK is received by MOF. 1-2. Reporting on the implementation of financial assistance for RAD-GRK is received by MOF. 2-1. A range of policy instruments for the promotion of green cities is analyzed. 2-2. Fiscal and financial incentives to promote green cities are proposed for selected pilot case(s). 3-1. Policy recommendations on the introduction of agriculture insurance are presented. 4-1. Policy Recommendations on the environmental economic instruments are presented</p>	<p>- Comprehensive plan and annual plan for RAD-GRK - Report on the implementation of RAD-GRK - Project report - Comparative study on policy incentives for the promotion of green cities - Draft recommendations on fiscal and financial incentives for the promotion of green cities - Draft recommendations on the introduction of agriculture insurance - Draft recommendations on the environmental economic instruments</p>	<p>FPA role as research institute is maintained, and Center of Climate Change Financing and Multilateral role for promoting climate change fiscal and financing policy is maintained.</p>



Activities	Inputs	Pre-Condition
<p>1.1 Support socialization in selected province(s) about the regulation of the MOF on financial assistance for RAD-GRK</p> <p>1.2 Support selected provincial government(s) in developing a comprehensive plan for RAD-GRK activities, along with an annual plan for RAD-GRK activity implementation, for selected sector(s)</p> <p>1.3 Support selected provincial government(s) to draft quarterly report on the fund utilization to be submitted to the Ministry of Finance.</p> <p>1.4 Compile and document lessons learnt from the activities 1.1 to 1.3.</p> <p>1.5 Conduct seminar/workshop based on the activity 1.4 and document a proceeding.</p> <p>2.1 Review selected activities relating to green economy, in consideration of those issues which include private investment, technology transfer and green building, at pilot site(s).</p> <p>2.2 Document findings from the activity 2.1 and draft initial recommendations on fiscal and financial incentives to promote green economy.</p> <p>2.3 Conduct comparative study of the result of the activity 2.2 with cases of other selected cities, including those in Japan.</p> <p>2.4 Conduct a study visit for good practices in Japan.</p> <p>2.5 Compile and document lessons learnt from the activities above.</p> <p>2.6 Conduct consultation meetings based on the result of the activity 2.5.</p> <p>2.7 Draft final recommendations on fiscal and financial incentives to promote green economy.</p> <p>3.1 Review the past and ongoing pilot activities on agricultural insurance.</p> <p>3.2 Conduct a comparative study with relevant cases in other countries in Asia.</p> <p>3.3 Identify problems and gaps to be addressed by MOF.</p> <p>3.4 Draft initial recommendations to overcome the problems and gaps identified above</p> <p>3.5 Conduct workshop based on the result of the activities above.</p> <p>3.6 Draft final recommendations on the introduction of agriculture insurance in the agricultural sector</p> <p>4.1 Facilitate discussions between MOF and Ministry of Environment on the draft government regulation "Instrumen Ekonomi Lingkungan Hidup (Environmental economic instruments)"</p> <p>4.2 Identify areas to conduct assessment.</p> <p>4.3 Conduct assessment in the areas identified above.</p> <p>4.4 Conduct a consultation meeting on the result of the assessment above.</p> <p>4.5 Draft final recommendations on environmental economic instruments.</p> <p>4.6 Conduct policy assessment on other issues relating to the promotion of green economy.</p>	<p><u>Japanese side</u></p> <p>1. Experts</p> <ul style="list-style-type: none"> <li>- JICA expert(s)</li> <li>- Local resource persons including the experts on stakeholder engagement and socialization (to be assigned based on the needs and relevant circumstances.)</li> </ul> <p>2. Training in Japan and/or other countries</p> <p>3. Local Expenses of project activities</p> <ul style="list-style-type: none"> <li>- Operational expenses as necessary</li> </ul> <p><u>Indonesian Side</u></p> <p>1. Counterpart Assignment</p> <ul style="list-style-type: none"> <li>- Project Director (Chairman of FPA)</li> <li>- Project Manager (Vice Chairman of FPA for Climate Change Financing and Multilateral Policy)</li> <li>- Staff as project counterparts</li> </ul> <p>2. Provision of the project office and facilities necessary for the project implementation</p> <p>3. Other operational expenses</p>	

Abbreviations: MOF (Ministry of Finance), FPA (Fiscal Policy Agency), RAD-GRK (Provincial Action Plan for GHG Emission Reduction)

## **Minutes of Meeting**

Subject : Joint Coordination Committee (JCC) Meeting  
Date : Tuesday, September 9, 2014  
Time : 10.00 - 12.30  
Venue : Makara I, Doubletree Hotel by Hilton

### **Opening remarks**

Pak Syurkani Ishak Kasim (Head of PKPPIM, BKF, Ministry of Finance)

This is our first JCC meeting for project between Ministry of Finance and JICA. We will focus on capacity development for green economy policy in Indonesia and collaboration with several provincial governments and other related ministries such as Ministry of Agriculture, Ministry of Environment and Bappenas. This meeting has objectives to review and deciding next step to optimizing the current progress on this project.

We are going to discuss four elements, which are RAD GRK funding mechanism, Green City, Agriculture Insurance, Environmental Economic Instrument.

I would like to explain about the role Ministry of Finance. First, we have to understand ministry of finance is responsible for fiscal policy particularly in budget policy. We submit budget to the parliament that has four items (revenue, budget allocation, primary balance of the budget and financing).

Of course ministry of finance cannot do it alone as policymaking, we have to work closely with line ministry (MOA, MOE and Provincial Government) and close partnership with Bappenas.

Mikiya Saito (JICA Indonesia Office)

I am impress that the government make great effort and strong initiative on climate change issue. The role of Ministry of Finance is significantly important.

### **Presentation on Current Progress**

Pak Joko Tri Haryanto

We are conducting four programs, which are funding mechanism for RAD GRK, Green City, Agriculture Insurance and Environmental Economic Instrument. For the first element, we are supporting South Sumatera Province and all related SKPD. We finished the final draft of budget tagging report in South Sumatera province. The second element is promoting green city and we collaborate with Surabaya City. We try to conduct energy audit in government building, however we still find some obstacle because of misunderstanding between local government and central government. The third element, this is very crucial and complicated, as we try to introduce agriculture insurance in Indonesia. The last element is environmental economic instrument and we collaborate with Ministry of Environment.

## Annex9: Record of JCC

The current progress of first element, we already received final draft of budget tagging report. We are facing some obstacle on this activity such as the uncertainty of funding sources.

The current progress for second element, we are promoting green city by conducting energy audit. We already share the official letter from our center in BKF to Mayor of Surabaya City. However, in almost the same time when we sent the letter to Surabaya City they received a letter from DNPI about a warning not to be involved in carbon trading activity. They are concerned that our activity is related to carbon trading and they reluctant to send a respond to us. That becomes our obstacle in this activity. We are going to visit to Surabaya around next week to clarify the nature of our activity.

The current progress of third issue on agriculture insurance, we are focus to enhance the capacity to introduce agriculture insurance in Indonesia. We already discuss with Ministry of Agriculture regarding the financial support for agriculture insurance for 2015. The bottleneck of this activity is the uncertainty of long-term budget.

The last component is capacity building to evaluate a range of economic instrument to financially support the implementation of climate change policies. We already received a draft final report of study mapping on environmental service payment (ESP). We expect to finish a draft recommendation on environmental economic instrument on December 2014.

### **Wrap up**

Masato Kawanishi

This is our first JCC meeting on this project so it is very important for us to seek inputs or comments from all related stakeholders. In output 1 and 3, we are also cooperating with other ministry. We are cooperating with Bappenas for output 1 and Ministry of Agriculture and Bappenas in output 3.

The first element is to formulate financial assistance for RAD GRK and we collaborate with Bappeda South Sumatera Province. The second element is promoting green city, we need to make a clarification to Surabaya City as soon as possible. As for output 3 the agriculture insurance, we have discussed substantial matter with line ministries on introduction of agriculture insurance in Indonesia. However, in order for us to advance we would like to seek some clarification budget allocation and also guidance is very critical at this point. The last element is environmental economic instrument; the draft recommendation is expected to be submitting on December 2014.

We are arranging a study visit to Japan on November 24 to December 2, 2014.

### **Discussion**

Pak Yohannes (Bappeda South Sumatera Province)

After one year collaborating with this project, I just realize that the objective of this project is to improve the capacity of BKF to promoting green economy. So my question is where is the position of South Sumatera?

Second, I hear a statement from Pak Joko that BKF has sent a letter to Bu Risma (Mayor OF Surabaya) but in the same time she receive letter from DNPI. My question is what kind of letter that sent by DNPI?

Third, in regards of Pak Syurkani's statement about funding scheme of RAD GRK to local government. As your information, in local government there is a conflict

## Annex9: Record of JCC

(different understanding) between Bappeda and Bagian Keuangan Daerah (local budget division) such as Financial Bureau, local budget management agency and etc. The financial scheme to local province from central government is all about task delegation (credibility), so what I request here is a guidance to do the task.

So that the task will be accomplish according to its objective.

I get a letter regarding index fiscal for all Kabupaten/kota in Indonesia, but I wonder how to formulate the index fiscal because every kabupaten/kota has different index. This is one of example of transparency from central government to local government.

I really appreciate a compliment to South Sumatera regarding our activity in RAD GRK. Actually what we are doing is a just respond from a commitment of central government in climate change mitigation. We are collaborating and ensuring all related agency (SKPD) to support this activity.

Pak Syurkani

The input from Pak Yohannes is quite useful because he highlighted the purpose of this project. In my opinion, this is related to the role of central government on how to understand the condition in local government.

Currently, BKF has a responsible in strategic decision on fiscal policy such as budgeting, state budget and state revenue.

Pak Yohannes

Every budgeting in province should be evaluated by MOHA in DG Regional Budget (Keuangan Daerah). They are evaluating a budget coding, not a strategy. In order to develop a region, we need to pay attention on the budget or financial. So why not the ministry of finance who conduct the evaluation?

Pak Joko

The problem of RAD GRK is coordination between line ministries. Regional or province is always reporting to Bappenas and not to other line ministries. On Presidential decree no 61, there is no funding scheme of RAD GRK has been mentioned. That is why we create grant RAD GRK, because we already have Presidential decree and Ministry of Finance of grant. However the budget for grant is still the problem.

Pak Yohannes

We are always reporting to Bappenas because we get fast respond from Bappenas compare to other line ministry, due to same understanding (or way of thinking).

Pak Pungky (BAPPENAS)

There is also Ministry of Agriculture as our counterpart in Agriculture Insurance. The program of agriculture insurance this year has been postponed due to insufficient in budget. Every year we have PUSO (Bantuan Rupiah), because the misuse of this budget the Ministry of Agriculture suggests using the money (or budget allocation for PUSO) for better system such as on Agriculture Insurance Program.

Next thing we should prepare is assessment of readiness and we are currently conducting this program with JICA. Second thing is the premium, which the



## Annex9: Record of JCC

government subsidizes it. This program should be well analyzed by the government.

Center of Fiscal Risk Management (PPRF)

The current progress of a study on Agriculture Insurance:

We already finished the study and in the future we will research more deeply on the research itself. The recommendation to the Minister of Finance is on the process. We are pleased to get a support from JICA regarding this study.

Bu Yani (Center of State Budget Policy, BKF)

We just had a discussion regarding reallocation budget for a subsidy on premium agriculture insurance. Basically, Ministry of Agriculture has requested a reallocation budget for 2015. There are three options for the premium:

1. New item on non-energy subsidy, with new nomenclature of premium subsidy on agriculture insurance
2. As a part of Ministry of Agriculture's budget
3. Subsidy of premium will be included in the program subsidy

We are waiting for our head of center decision.

Pak Syurkani

Regarding our second output, promoting Green City in Surabaya, although this program was postponed due to a letter to Surabaya City regarding carbon trading, but we are now in the process of clarifying our nature of activity to the Mayor of Surabaya City.

The last component, Environmental Economic Instrument, is now in the early assessment. We need to be well analyzed, otherwise it will be not able to implemented by the local government.