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▷ **Joint Evaluation**

Agence Française de Développement / Japan International Cooperation Agency

Indonesia Climate Change Programme Loan (ICCPL)

Marc RAFFINOT, *Associate Professor, Paris Dauphine University, UMR LEDa-DIAL*
Anda DAVID, *Economist, Paris Dauphine University, UMR LEDa-DIAL*
Masumi SHIMAMURA, *Chief Policy Analyst, Mitsubishi UFJ Research and Consulting*

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Anda DAVID, *Economist, Paris Dauphine University, UMR LEDa-DIAL*

Masumi SHIMAMURA, *Chief Policy Analyst, Mitsubishi UFJ Research and Consulting*

Coordination:

Constance CORBIER-BARTHAUX, *Evaluation Unit, AFD*

Reiko KAWAMURA, *Evaluation Departement, JICA*

Agence Française de Développement (AFD)

Japan International Cooperation Agency (JICA)

Table of contents

Figures and tables

FIGURES

TABLES

TEXT BOXES

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 Indonesia meet the challenges of climate change. In 2010, JICA and AFD were joined by the International Bank for Reconstruction and Development (World Bank). The assistance provided was collectively known as the Indonesian Climate Change Programme Loan (ICCPL) and amounted to a total of USD 1.9 billion (JICA USD 0.9bn, AFD USD 0.8bn and WB USD 0.2bn). The funds were channelled untargeted into the GoI annual State Budget, but released on a yearly basis pending performance checks on the agreed-upon steps in the implementation of policies for managing the mitigation of, and adaptation to, climate change. The agreed upon steps and related indicators were summarized in a Policy Matrix, which was the main tool for monitoring.

The commitment of the GoI to fighting climate change (CC) has been very strong since 2007, as shown by 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 for a reduction in GHG emissions from the Business as Usual (BAU) level by 26% by 2020, and by 41% with international support.

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

The purpose of this evaluation is to derive lessons from the experience of providing such budgetary assistance by assessing the benefits (or otherwise) of combining fiscal and climate change objectives; whether the ICCPL 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 budgetary assistance 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 on an examination of the appropriateness of the use of donor funds in this way, in order to provide an accounting both to the taxpayers of the donor countries for determining whether this was money well spent, and to the citizens of Indonesia as to whether the resulting increase in indebtedness was justified.

Before presenting the conclusions of our evaluation, we need to mention some of the limitations. Firstly, the joint nature of the evaluation entailed specific difficulties linked to the differing intervention logic of the Donors, but also to different approaches and understanding regarding some operational dimensions. Secondly, the timing of the evaluation (2012-2013) was too distant from the ending of the ICCPL, and a large part of the institutional memory had been lost. At the same time, the evaluation was conducted too early with respect to the impacts, which require a longer time period to become measurable. Finally, changing of evaluation team was a significant impediment, especially since the first team did not use the DAC (OECD) 3-step methodology, resulting in 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 on forestry for national income. With emissions of around 397 megatonnes in 2008, Indonesia was ranked 16th worldwide, according to a 2009 UN classification of CO_2 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 peatlands, which together cover 70% of the country.

In order to evaluate the ICCPL, we built upon the OECD/DAC 3-step methodological approach and developed a framework adapted to the climate change issues and to the ICCPL's particular context. We will thus 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 intended to foster high-level political dialogue, and the technical assistance programs were designed 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 climate change and its main features, along the lines of the Donors' climate change approach.

The ICCPL is a pioneering approach in terms of climate change funding, in that 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 room for improvements. Among them, we have highlighted the fact that the amount of the budget support was not very significant in regard to the GoI's financial resources, and this inevitably raises the issue of limited leverage regarding the orientation of climate change policy.

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

Through its various committees, the ICCPL created a framework for discussion focused on the GoI's strategies on climate change, thus improving communication between the ministries and the Donors. However, insufficient awareness and incentives for the line ministries highlighted that progress could be made in establishing a well-functioning framework for dialogue between ministries.

By enhancing the national information system, through the monitoring process and the strengthening of climate-change-related institutions, the ICCPL had considerable influence on the quality of the climate change policy processes and their implementation.

The ICCPL also contributed to identifying climate-change-related public expenditure. Moreover, climate change policies are now taken into consideration in Performance Based Budgeting (PBB). The ICCPL contributed toward the publication of a GoI roadmap for dealing with the reduction in energy subsidies (USD 23 billion in 2008). However, this took time and a decision about subsidies was not made until 2013.

The ICCPL, due to its regular check-ups on performance and incentives for compliance (in the form of renewed funding), is widely recognised among officials and agencies as having contributed strongly to bringing the issue of climate change to the centre of Government policy development and implementation. The attainment of cross-cutting objectives has probably had the greatest impact, since this complimented the mitigation and adaptation goals that were already part of long-term programmes.

Furthermore, the ICCPL offered a source of financing at a time of dry credit markets, although this had almost no impact on the Indonesian macroeconomic environment.

The ICCPL had an impact on the mainstreaming of climate change issues to the extent that it contributed to maintaining and crystallizing the climate change momentum sparked by the UNFCCC 13th Conference of the Parties in Bali. It also enshrined the legitimacy of BAPPENAS (The National Development Planning Agency) in the climate change decision-making and resource-allocation process. However, the authors could not find evidence of improvement in terms of public awareness/discussion regarding climate change.

Given that the ICCPL was not publicized as such, there are no direct results regarding the diffusion of data that can be directly linked to the ICCPL. Nevertheless, the interviews showed that the monitoring and capacity building for GHG measurement provided by the ICCPL improved the quality of the data on climate change. The BMKG's (Agency of Meteorology, Climatology and Geophysics) Early Warning System, included in the ICCPL Phase 1 policy indicators, has reinforced both the quality and diffusion of climate change data.

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

The lack of accurate and precise data on the evolution of greenhouse gases (GHG) prevents us from making an assessment of their decrease (or increase), but a clear improvement in the ways used to manage climate change can be observed during the period under consideration.

In terms of the participation of civil society in climate change policies, there is no significant improvement. But the local governments saw their involvement increase, especially with the RAD-GRK (National Action Plan on Greenhouse Gas Emissions Reduction), and some private firms did take steps towards more fully taking into account the impacts on the environment and biodiversity.

Finally, the GoI has claimed full ownership of climate change policies. However, the sustainability of the processes fostered by the ICCPL can be threatened by factors such as a radical change in the GoI's priorities, which would redirect resources away from climate change concerns. So far, this risk has not materialized. On the contrary, 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.

To what extent are the changes linked with ICCPL inputs?

By providing a space for discussing climate change, and facilitating and strengthening communication within the Government, the ICCPL has made a strong contribution to the mainstreaming of the climate change issue. However, the contribution was weaker when it comes to the international visibility of the GoI's policy on climate change, mainly due to the ambiguous position resulting from Indonesia's status as a Non-Annex I Country and the type of financial instrument chosen for the ICCPL.

The influence of the ICCPL is more visible in the two main supported sectors: land use, land-use change and forestry (LULUCF), and energy. For LULUCF-linked activities, the ICCPL played a significant role, especially in the implementation of Forest Management Units (FMUs). But its contribution in other sub-sectors is difficult to assess given the institutional problems within the sectors (bad governance, opaque functioning etc.) and the considerable amount of grants and technical assistance 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 the Indonesian Parliament to the eventual suppression of energy subsidies, largely promoted by the Donors. On transport activities, the ICCPL's influence was moderate, given the complexity of this sector.

Adaptation being one of the focus points of the ICCPL, its "moderate to strong" contribution in the concerned sectors was mainly achieved through the strengthening of institutions involved in the fight against climate change 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 Public Finance Management (PFM), resulting in better identification of climate-change-related expenditures. Its impact on the country's macro stability is even less due the marginal role played by the ICCPL and to an economic context characterized by high inequality.

The provision of technical assistance (TA) contributed to improving the implementation of policy indicators within Indonesian institutional settings by raising capacity at the central and local government levels.

Key conclusions and recommendations

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

The existence of a clear and publicly endorsed Government commitment to fighting climate change was crucial for the implementation of a program such as the ICCPL and for the sustainability of its effects.

Finally, high-level policy dialogue has been a major achievement of the ICCPL, which can be replicated elsewhere with care. 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 fighting climate change, and consistency of these commitments with the global development strategy of the government; (ii) an initial level of mainstreaming of the climate change strategy; (iii) the technical capacities of the public administration and civil society; and (iv) the existence of a clear and shared operational framework logic before the start of implementation of the CCPL, which should include the evaluation questions to be used in 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 gain some leverage and speed the process. The ICCPL'S policy matrix, which covered three years on a rolling basis, provides a good basis for day-to-day management, but climate change 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 annual programs into perspective.

To prevent conflict between long-term visions and short-term actions, it would be beneficial to develop partnerships that could be sustained over time. A switch from an annual loan to a long-term partnership should then also consider exit strategies based on the risks.

Attention should be paid to the incentive structure for all entities involved in the policy dialogue (line ministries, local governments). Excessive strain should be avoided as 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 technical assistance.

Finally, a CCPL entails reputation risk for the Donors, because of unexpected developments. For this reason, the introduction of something like "negative pledge clauses" or "negative triggers" could be considered, meaning that in some pre-determined cases the disbursements would stop.

During the period 2007-2010, the GoI did pass various laws and regulations and made significant communications about climate change mitigation policies in Indonesia. The continuous policy dialogue during the ICCPL played a significant role in strengthening the process, as expected. Because of the involvement of line ministries in the process, mainstreaming of climate change policy did improve, branching out to include some SOEs and even private firms. ICCPL made both direct and indirect contributions to the progress in mainstreaming climate change policies. However, the outcomes and impacts of the policies are still to be seen. They are likely to occur after a long time lag. In the short run, the results are mixed in the sense that, globally, GHG emissions have continued to increase, but there is no data allowing us to judge their evolution against the Business as Usual scenario.

Evaluation methodology: advantages and limitations of the standard DAC 3-step 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 this is used to assess budget support in Middle-Income Countries, namely because those countries usually have access to the financial markets, which allows for better ownership of the policies. To our knowledge, the DAC 3-step methodology had not been used before in the case of climate change.

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 fail to consider some aspects of the problem. The DAC 3-step approach is based on a Comprehensive Evaluation Framework (CEF), which allows for disentangling the relationships among the various levels in the chain of influence linking inputs to impacts.

2. **Avoiding wrong attributions or contributions.** The 3-step approach is interesting from this point of view, because evaluators have to investigate the contributions made by the donors' inputs in relation to the outcomes and impacts. Otherwise, the impacts could be

wrongly presented as resulting from the support provided. Note, however, that even with the 3-step standard approach, the evaluation would not necessarily allow for the attribution of certain impacts to inputs. For explaining the impacts, a wealth of variables must be taken into consideration, and even sophisticated econometric methods are not likely to shed much light in this regard.

3. **Taking into consideration the chain of influence from inputs to impacts (comprehensive framework).** Step 1 amounts to assessing to what extent the inputs provided did (or did not) influence the induced outputs. However, it could be the case that the induced outputs had little or no 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 if 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 this was a priority.

2. **The measurement of outcomes and impacts remains elusive.** In the case of the ICCPL, no policy matrix for the GoI was available to help monitor precisely the outcomes and impacts. For instance, the change in illegal logging is hard to document. Different measurements of GHG emissions are published. No third-party validation 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 too long a time after the end of the support, most of the institutional memory is unavailable.

4. **Influence links are difficult to trace, because the amount of money was probably not significant in terms of attaining the results.** In case of the standard 3-step 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 ICCPL, support was mainly related to supporting policy making and not to the provision of public services as in the standard case. Therefore, such links are rather elusive, in particular when assessing the role of technical assistance.

1. Introduction

This document presents the joint AFD-JICA evaluation of the Indonesia CCPL (Climate Change Policy Loan) along the lines of the standard OECD DAC 3-step methodology. It draws heavily on previous reports by an evaluation team of five members,[1] including two experts financed by JICA[2] and three by AFD, between them encompassing expertise in budget support, climate change policy, and in 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), the monitoring team financed by JICA . This report takes into consideration their analysis and data.[3] Moreover, some sections of their monitoring and evaluation reports have been fully integrated as such into this report. The standard UN terminology (see Box 1) will be used throughout this report.

1.1. 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 Indonesia meet the challenges of climate change. In 2010, they were joined by the International Bank for Reconstruction and Development (IBRD, the World Bank). Lending under what was collectively known as the Indonesian Climate Change Programme Loan (ICCPL) amounted to a total of USD 1.9 billion in concessional financing (USD 0.9bn from JICA, USD 0.8bn from AFD), channelled untargeted into the GoI annual state budget, but released based on performance results on agreed-upon steps in the implementation of policies for managing the impact of climate change on the economy and the environment.

1 Peter Tasker (AFD), Team Leader, evaluation expert and budget support programme specialist; Abdul Rahman (JICA), Energy and Transportation Sector Expert; Virza Sasmijtawidjaja, Climate Change Policy Expert; Masumi Shimamura (JICA), Budget Support and PFM Expert; and Joseph Weinstock, Forestry Expert. The setting for this evaluation implies some limitations that will be detailed in section 6.3.

2 Yoshitaro Fuwa, Senior Consultant, Global Group 21 Japan Inc.; Jun Ichihara, Policy Researcher, Programme Management Office, Institute for Global Environmental Strategies; Taiji Fujisaki Associate Researcher, Forest Conservation Project, Institute for Global Environmental Strategies; Jane Romero, Policy Researcher, Climate Change Project, Institute for Global Environmental Strategies; Atsushi Watabe, Associate Researcher, Programme Management Office, Institute for Global Environmental Strategies.

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

In this context, it needs to be remembered that a CCPL entails untargeted budget support, so 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 this evaluation is to assess the extent to which the support provided by AFD and JICA during 2008-2010 enabled GoI to develop and efficiently implement an effective strategy for addressing the challenges of climate change (CC) faced by Indonesia.

The purpose of this evaluation is to derive lessons from the experience of providing this type of budgetary assistance by: assessing the benefits (or otherwise) of combining fiscal and climate change objectives; whether this was an appropriate instrument for supporting the design and implementation of policies directed at managing the impact of climate change; and whether – and in what form – this type of support might be used 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 by examining the appropriateness of using donor funds in this way, and by providing an accounting to the taxpayers of the donor countries to determine whether this was money well spent, as well as to the citizens of Indonesia as to whether this justified the increase in indebtedness.

Given that JICA and AFD have been the key partners in the ICCPL almost from the outset (even though 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 seeking to learn more about how budgetary support can be used to assist economic and social development generally, and to promote specific climate change policy adjustments. Moreover, both Donors have a common interest in evaluating the pros and cons of applying the OECD adapted 3-step methodology to ICCPL-like programs.

However, a joint evaluation entails special difficulties. In reality, what is true for AFD is not necessarily true for JICA, and the other way round. The agencies have different intervention rationale in Indonesia. AFD was a new player in Indonesia, so its experience in this country was limited. JICA has been a major donor in Indonesia with rather long experience in the country. CPPL is just one instrument of JICA support among many (namely DPLs, technical assistance, projects, etc.). By contrast, the ICPPL was AFD's first large-scale intervention in this country.

Moreover, some aspects of the ICCPL are defined differently by AFD and JICA. For instance, the understanding of the trigger concept as applied to the ICCPL is not shared. JICA holds the view that policy matrix indicators can be considered as classic triggers, whereas AFD

does not. The same is true to some extent for the technical assistance programs and their link with the ICCPL. As a result, we were unable to discern a shared framework logic for the ICCPL, which would have allowed us to have a clear understanding of the Donors' perception of the chain of influence before the program's start.[4]

Along with these difficulties, we need to mention specific limitations of our study.[5] 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 distant from the end of the ICCPL, so there was very little institutional memory that could help us retrace the ICCPL process and stakes. This was a significant impediment, since many of the Indonesian and Japanese participants who were involved in setting up and launching the ICCPL could not be reached. At the same time, this evaluation was conducted too early to assess the climate impact, which requires a longer timeframe to become measurable.

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

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

Chapter 2 will elaborate on the methodology used in this report (more on the 3-step methodology as applied to climate change issues can be found in Appendix 1). The following chapters will then present each step of the evaluation, retracing the evaluation questions and providing answers.

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4 This does not mean that the assessment should always be conducted along the lines of the framework logic, 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 address unexpected constraints).

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

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

The final chapter will present the effects of the CCPL in Indonesia, lessons learned, as well as recommendations for the future use of CCPLs.

2. Context

2.1. Overview

Indonesia is both one of the world's 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 on forestry for national income. Enormous carbon stocks in its forest and peatlands also mean that Indonesia is a candidate for large-scale funding for climate change mechanisms, such as REDD+ (Reducing Emissions from Deforestation and Forest Degradation).

With emissions of around 397 megatonnes in 2008, Indonesia was ranked 16th globally, according to a 2009 UN classification of CO_2 emissions from 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 peatlands,[6] which together cover 70% of the country.[7] 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, CO_2 emissions from land use and deforestation are together greater than those from fossil fuel combustion. The energy sector, with 370 megatonnes of output in 2005 (including transportation), accounted for 63% of the 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.

6 Notably peatland degradation, fires, and deforestation.

7 Forest (including peatlands) that is classified as permanent forest accounts for 58%.

Table 1. Indonesia greenhouse gas emissions (Mt CO_2eq)

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.

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 the southeastern Papua islands, are especially at risk and rank high on the multiple climate hazards map. Warming is not the only, nor probably the greatest, risk for most areas. More intense rainfall and sea-level rise will adversely affect food security, health, water resources, farming and coastal livelihoods, as well as forest and marine biodiversity.

Failure to adapt adequately to climate-change-induced effects will hurt not only the economy but 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 prone to, for example, drought, flooding or landslides. The poor lack the assets and livelihood flexibility to create 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. 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 (for example, 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.

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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 prone 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.

2.2. Government policy developments on climate change

Key milestones

The Government of Indonesia (GoI) 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 the Government's climate change policy.[8]

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 in responding to the effects of climate change.

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 toward mainstreaming actions to manage climate change as part of the planning and budgeting process. Aiming to fuel this initiative, the CCPL was formally started in 2008, after 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 the establishment of an Indonesian Climate Change Trust Fund. Despite the financial crisis and national elections in

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

9 Presidential Regulation N°46/2008 stipulated DNPI tasks, such 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 agricutural adaptation, disaster risk reduction, climate change information dissemination, development of an integrated development plan on climate change, strengthening the infrastructure plan and design for the impact of extreme weather and climate change.

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 by 26% by 2020, and by 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. At the G20, the Government also 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 inform-ation on emissions of greenhouse gases (GHG) and their reduction, and details on the steps taken to implement the UN Framework Convention for Climate Change (UNFCCC) and to address issues to be raised at COP 15 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 the Government reaffirmed its official commitment to the previously announced emissions reductions in fulfilment of the Copenhagen Accord (18th December 2009).

Since 2010, the Government has increasingly integrated climate change concerns into national development plans, notably the Medium-Term Development Plan (MDTP) 2010-2014 and the annual National Development Priorities, also drafted by BAPPENAS. The MDTP includes Environment and Disaster Management as one of the national priorities, with four 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 N°61 of 2011 approving the National Action Plan for Greenhouse Gas Emissions Reduction (RAN-GRK)[10] covering 2010 to 2020, also developed by BAPPENAS, and by Presidential Regulation N°71 of 2011, establishing a GHG inventory as well as a monitoring, reporting and verification (MRV) mechanism. Later in 2012, these national reduction targets were developed into Local Mitigation Action Plans (RAD-GRK), covering mitigation activities at the provincial level. A National Action Plan for Adaptation (RAN-API) is currently under development.

10 Also known as the National Mitigation Action Plan.

Mitigation

Based on, and through, these various studies and agreements, the Government has adopted a strategy to mitigate emissions, to realise the ambitious GHG emissions reduction targets committed to in 2009, and to introduce strategies to induce 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 when they are associated with poverty reduction and economic growth.

The GoI's priorities for mitigation are first in forestry, land-use change and peatlands, 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 presents a challenge in terms of coordination across multiple sectors. The climate change policy is 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 Emissions Reduction (RAN-GRK) was drafted and approved through Presidential Regulation N°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; peatland 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 in emissions, as demand for energy is fuelled by the country's strong growth and recovery from the global 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 $MtCO_2$) and 2009 (376.3 $MtCO_2$).

With respect to the commitment of a 26% cut in emissions by 2020 (relative to the BaU scenario), equivalent to around 767 megatonne CO_2eq(Table 2), the Government anticipates nearly 88% (or 672 megatonne CO_2eq) of this to derive from forestry and peat-land management developments, about 6% (48 megatonne CO_2eq) from improvements in waste management, and about 5% (38 megatonne CO_2eq) from reduced emissions by the energy and transportation sectors.[11]

Table 2. RAN-GRK – Planned emission reductions in five sectors by 2020 (relative to the BaU scenario)

	Reduction target (Gton CO_2eq)	
Sector	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 N° 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 CO_2eq would be required, and the National Action Plan suggests this could be achieved through a 1.039 gigatonne reduction in emissions from forestry and peat-land management (again, 87% of the total reduction), 78 megatonne CO_2eq through better waste-management (just under 7%) and 56 megatonne CO_2eq (about 5%) through energy and transportation sector savings.

The National Development Planning Agency, BAPPENAS, has estimated the funding required to implement the action plans for the achievement of these targets (Table 3). A total of IDR 226 trillion (approximately USD 22.6 billion) for core activities and IDR 18.5 trillion (USD 1.9 billion) for supporting activities is estimated. The most costly undertaking (42%, or

11 An alternative scenario sees the expansion (almost a 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 subsidized tariffs and therefore fiscal financing.

IDR 95 trillion) would be the reduction in energy and transportation CO_2eq, estimated to cost the equivalent of IDR 1725 per megatonne of CO_2eq emissions reduced. Forestry and peatland emission reductions are estimated to cost only IDR46 per megatonne of CO_2eq emissions reduced, totalling IDR 48 trillion, or 21% of the total estimated cost for 87% of the total targeted emissions reduction. For implementation of the action plan in the energy and transport sectors, the estimated funding needed was set to around IDR 100 trillion.

Table 3. Estimated funding requirements 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 peatland 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% of dry forest loss and 96% 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 peatland. Progress in forest governance is essential to the performance of 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 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 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 (G20 Pittsburg, September 2009). At present, marginal changes in world prices are budget neutral, but long-term fixed fuel and electricity prices and the related subsidies 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 pricing is evolving, and the last few years have shed some light on the step-based 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 evolutionary, with different measures adopted at different times. The current priority is electricity prices, which were slated to begin gradually increasing starting in 2010. Plans are being developed to eliminate or phase out subsidies [12] for gasoline based on the location or age of the 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 an 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 development.

With community participation over the coming years, investment in adaptation will be prioritized in: (a) the water sector, to ensure people of proper response 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 situations, and changes in fishery productivity and zoning as a result of sea temperature change; (c) the agricultural sector, to deal with the changing climate and the ensuing planting seasons/harvest and its consequences 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 risk of respiratory and gastrointestinal diseases.

In the longer term, Indonesia also has opportunities to scale up preparation for ecosystem-based adaptation in order to create resilience in the face of climate change and to prepare communities for coping with it. Rebuilding of the mangrove ecosystem in the coastal areas and rehabilitation of degraded peatland forests are among the 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 it will have effects on agricultural production, especially rice, and thus food security. The droughts caused by the 1997 El Niño [13] event

12 Subsidies for fuel were reduced in July 2013.

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.

affected 426,000 hectares of rice. The loss of production (measured as the percentage deviation from the five-year moving average) in eight El Niño years between 1965 and 1997 averaged 4%. For particular regions, the loss may be higher. In East Java/Bali, an area with a very short monsoon, it is predicted to be 18% 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 a steady supply from water reservoirs. On the other hand, heavy rainfall with its associated turbidity will damage water-processing facilities, contaminate the water supply and increase the cost 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 levels due to increases in the volume of sea water and the melting of the 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%. The estimated reduction in yield would result in financial losses to rice, soybean and maize farmers. Sea level rise would also likely affect fish and prawn production in the coastal zones 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.

In total, 41.6 million Indonesians live within 10 meters above sea level. They are the most vulnerable to sea-level changes (CIESIN, 2007). Coastal cities such as Jakarta, Semarang, and Surabaya are areas of great concern because of the high population densities.

The warming of ocean water will affect marine biodiversity. The temperature of Indonesia's oceans could increase in the range of 0.2 to 2.5 degrees Celsius. The 50,000 km^2 of coral reefs in Indonesia, about 18% 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% of the world's coral reef area. In a 2000 survey, only 6% of Indonesia's coral reefs were in excellent condition, 24% in good condition, and the remaining 70% 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; in 1997, it was detected for the first time at 2,103 meters in the highlands of Papua province (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.

The 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% by the year 2100. This is over four times the global mean GDP loss of 0.6% 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% by the year 2100. If the chance of catastrophic events is also considered, losses could go as high as 7.0% 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 USD 5 billion per year by 2020, on average. For Indonesia, the annual benefit from climate-change damage avoidance is likely to exceed the annual cost by 2050. By 2100, the benefit could reach 1.6% of GDP, compared to a cost of 0.12% of GDP (ADB, 2009).

Financing

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

Nevertheless, foreign financing of CC policies is welcome. For instance, the Indonesian Second National Communication under the UNFCC lists the expected sources of financing for CC policies (p. 186),[14] and states: "*Due to limited funding capacity through the national budget, the Government of Indonesia (GoI) will try to create various funding schemes, from domestic sources*

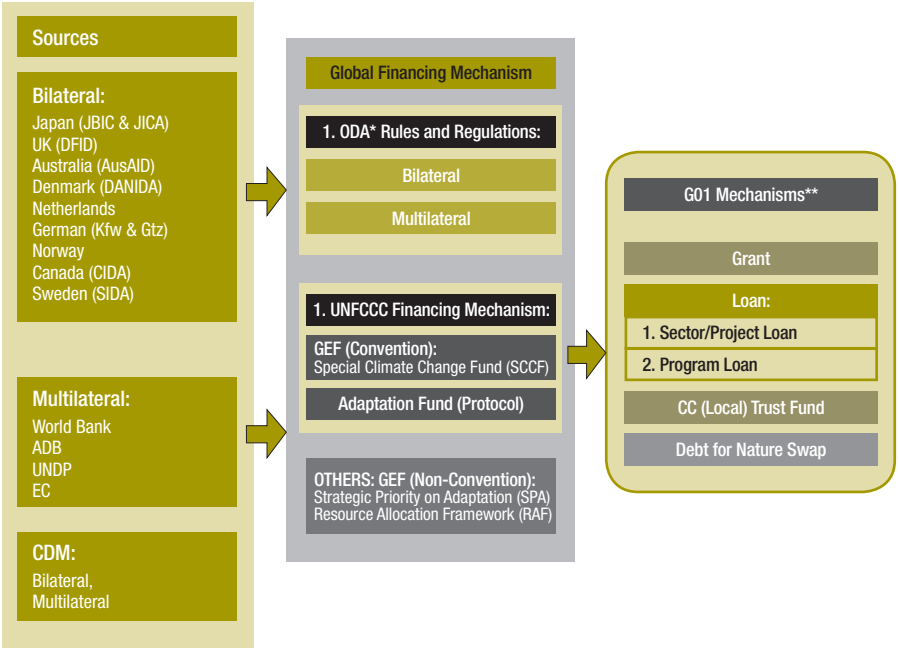
14 Available at:
http://unfccc.int/files/national_reports/non-annex_i_natcom/submitted_natcom/application/pdf/indonesia_snc.pdf

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 rules and procedures under the UNFCC and ODA financing mechanisms for climate change financing schemes. The GoI prioritizes grant utilization for financing the implementation of climate change sectoral priorities. Loan resources can only be utilized if grant funding is insufficient. However, utilization of loans can be a last alternative for climate change financing*". The following figure (Figure 1) summarizes the financing mechanisms for climate change policies. **Note, however, that this figure was created in early 2008, before the official arrival of AFD to the CCPL negotiations, which explains why only JICA appears among the Donors.**

Figure 1. Funding of climate change policies in Indonesia (2010)



Notes: * expected to come from additional existing ODA commitment from Monterrey Consensus (ODA+).
** comply with Government Regulation N°2/2006, Climate Change Program Loan.

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

2.3. Intervention logic for the CCPL Indonesia

What is the CCPL Indonesia?

According to our definition, a CCPL is a loan whose purpose is to support the fight against climate change. This type of loan 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 criteria for the allocation of funds and no conditional disbursement, but successive commitment based on assessment of the effective implementation of the Policy Matrix;

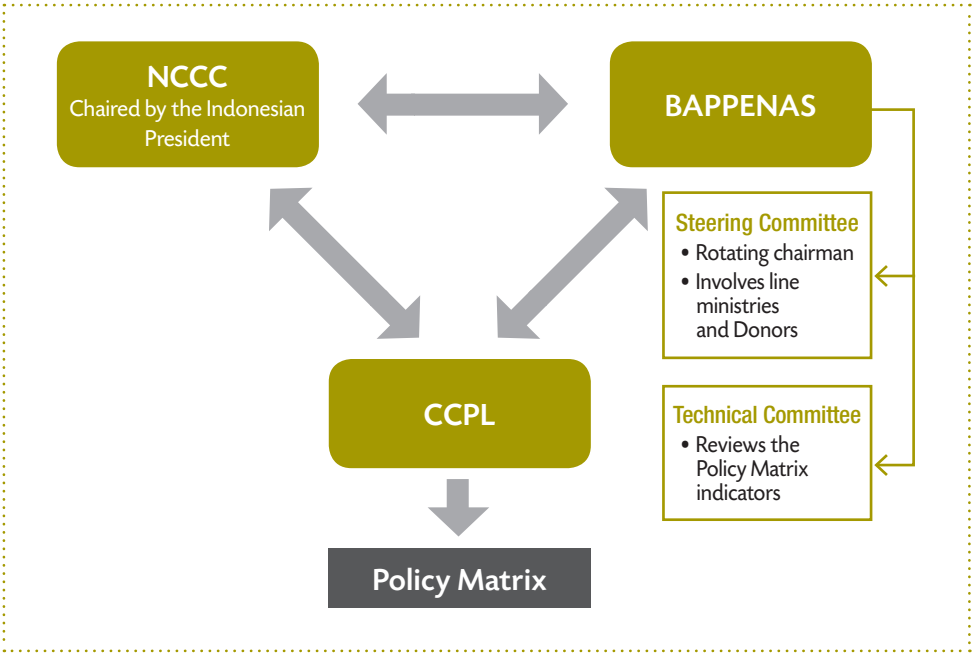
- Support for inter-ministerial coordination, with a focus on the importance of high-level policy dialogue and a national coordination device, aimed at being fully integrated into the decision-making and budgetary process of the ministries;

- Global monitoring and evaluation systems, along with technical assistance (TA). The TA falls under a separate funding process (financed as a grant).

The first CCPL was the 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 the Government of Indonesia's (GoI) climate change policy reforms and thereby reducing the risks arising from climate change.

The financial loan amounted to USD 1.9 billion over the three years (see the section on inputs in 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 a 25% grant element.

Figure 2. The institutions steering Indonesia's National Plan for Climate Change

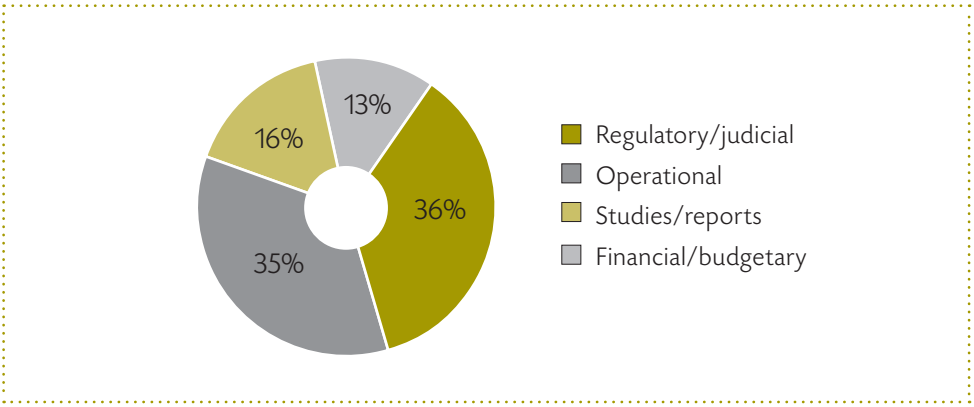


Source: Authors.

From an operational point of view, the Indonesia CCPL revolves around a Policy Matrix, as shown in Figure 2. The National Council for Climate Change (NCCC) and the institutions under BAPPENAS defined the orientation of the national plan for fighting 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-year period as a result of discussions between the GoI and the Donors. This evolution consisted of 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 GHG emissions by sector. If we were to class the indicators according to four categories (regulatory/judicial/legal,[15] 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 3).

Figure 3. Distribution by type of indicator (2008-2009 Policy Matrix)

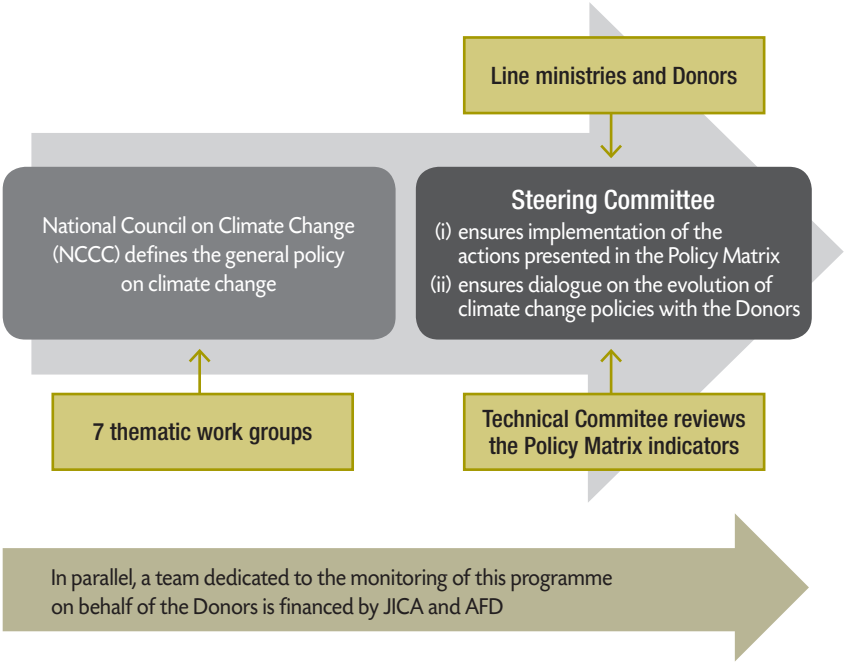


Source: Authors.

The ICCPL's steering mechanism follows roughly the same lines as that of the National Plan for Climate Change, but with higher involvement by Donors. Figure 4 illustrates the processes and mandates at stake, which will be elaborated on later in this report (see Chapter 4).

15 Laws, decrees, etc.

Figure 4. Institutional steering of the Indonesian CCPL



Source: Authors.

According to previous JICA evaluation documents, the expected role of budget support (BS) at the time of its inception could be described as (1) the pushing effect (speeding the process and mainstreaming of climate change policy); (2) the symbolizing effect (showing the commitment of the GoI to climate change); and (3) the coordination effect (between domestic and foreign actors), which derive from the budget support processes of policy dialogue, donor coordination and grouped institutional frameworks, such as the organization of collaborative taskforces.

This general approach could be verified by referring to the framework logic in order to trace the chain of influence outlined 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 changes in the Policy Matrix would

be useful for tracing the objectives and causality links. This assessment will be limited to the results that were considered as objectives of the ICCPL. The ICCPL provides support for mainstreaming the Government's climate change policy (as reflected in cross-cutting issues), but is focused on specific sub-sectors of the policy.

Finally, we would like to highlight that other determinants of the ICCPL, namely those from the supply side (the specific diplomatic, strategic and economic interests of the Donors) will be left outside of our assessment, which is focused on how the Donors supported Indonesian climate change 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 Phase I, and 2010 to 2012 as Phase 2. The initial Policy Matrix, agreed to in late 2008, showed a baseline year of 2007 and two development years – 2008 and 2009. When updated in 2009, the Policy Matrix still only covered this period. With the inclusion of the World Bank in 2010, the Policy Matrix covered 2010 to 2012, and this was viewed as Phase 2. The Policy Matrix developed for 2011 covered only the remaining Phase 2 period of 2011 and 2012, and although it was agreed to by the Steering Committee, it was never incorporated into a finalized financing agreement. During the evaluation, JICA continued the monitoring of the programme, with the ICCPL monitoring team assessing progress and compliance with respect to the steps outlined in the Policy Matrix for 2011.

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

Part of the rationale for the ICCPL also lies in providing additional budgetary revenues to the Government in order to broaden its fiscal options and meet the demands of a rising deficit, particularly in light of the decision to provide fiscal stimulus to offset the effects of the global recession that followed the financial crisis of 2007.

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

3. ICCPL assessment: methodological issues

This assessment of the Indonesian CCPL is based on the OECD's DAC methodology. This framework is described in a 2012 document entitled Evaluating Budget Support, Methodological Approach [16] (referred to as "EBS" in the remainder of this report). The approach is based on a Comprehensive Evaluation Framework (CEF) and a Three-Step Approach (EBS, p. 3):

- **Comprehensive Evaluation Framework (CEF),** which sets out a hypothesized sequence of effects for 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;

- **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 an assessment of the outcomes and the 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 for these 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 of 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 improvements in the relationship between external assistance and the national budget and policy processes. Furthermore, the third level of the CEF is the induced outputs, such as 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

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

programme, which are the envisaged positive effects at the level of the final beneficiaries – the 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.

However, to our knowledge, this general 3-step framework has been mainly used for assessing general budget support (GBS) for poverty reduction in the case of Low-Income Countries. Appendix 1 provides some general considerations about the differences between assessing CCPLs granted to Middle-Income Countries (MICs) and "standard" GBS (hence SGBS) granted to Low-Income Countries (LICs) for poverty alleviation. This chapter draws on these considerations to build an evaluation framework appropriate to the Indonesian CCPL.

The main considerations this report takes into account are:

1. A major difference between SGBS and CCPL (which has an impact on the evaluation methodology) is the access of MICs to the international financial markets. LICs are excluded from these financial markets and thus 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 climate change 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 climate change 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 that is mainly an activity of the public administration (education, health). This is only partially true for climate change mitigation/adaptation.

c) However, MICs may face temporary difficulties in borrowing from the financial market, or could access the market but at 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 intended to support the GoI's climate change policy. The question is: Under what circumstances do the Donors consider this to be a "relevant" policy approach? In the case of an SGBS, the main criterion is the existence of a Poverty Reduction 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 the policy to be relevant (as AFD puts it: "*acceptable*"). Most targets are set against a Business as Usual (BaU) scenario, so the way this scenario has been built is of paramount importance. In order to overcome these difficulties, the AFD team in charge of the definition and monitoring of AFD's climate change operational strategy made an attempt to outline what could be considered an "acceptable" policy (see Appendix 1). The JICA approach is different. To our knowledge, no *ex ante* criteria are set to help specify what an "eligible" climate change policy would be. Instead, JICA held discussions with the Government of Indonesia (GoI), based on 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. These principles are presented in policy statements such as the "Cool Earth Partnership" (2008), which put an emphasis on reducing greenhouse gas (GHG) emissions through efforts such as enhanced energy efficiency. The "Hatoyama Initiative" (named after the Prime Minister) places an emphasis on innovative mechanisms and on promoting the transfer of low-carbon technologies.

3. The absence of explicit triggers[17] in the case of the ICCPL makes evaluation harder; in SGBS one can expect stakeholders to focus on the triggers. Moreover, the triggers are usually used as a device for the Ministry of Finance (MoF) in the recipient country to exert pressure on the line ministries. In this case, the effort to identify a benchmark to be used as a trigger could be used as a basis for demonstrating a link between the inputs and the output.

4. The ICCPL (at least for AFD) consisted of a series of three annual loans, backed by a multi-year technical assistance program. This is different from SGBS, which is usually a multi-year program. The standard OECD assessment framework does not take into account the evolving and incremental pattern of the ICCPL support. In the case of SGBS, the program is usually determined from the beginning.

5. Macroeconomic and Public Finance Management (PFM) improvements are usually considered as crucial for sustainable growth and poverty alleviation, but this is not the case with a CCPL – even though a CCPL may also have some macroeconomic impact.

6. Finally, evaluation of the ICCPL is difficult because ownership by the GoI is high, meaning that the external influence exerted by ICCPL inputs is hardly mentioned (or may even be denied) and difficult to trace.

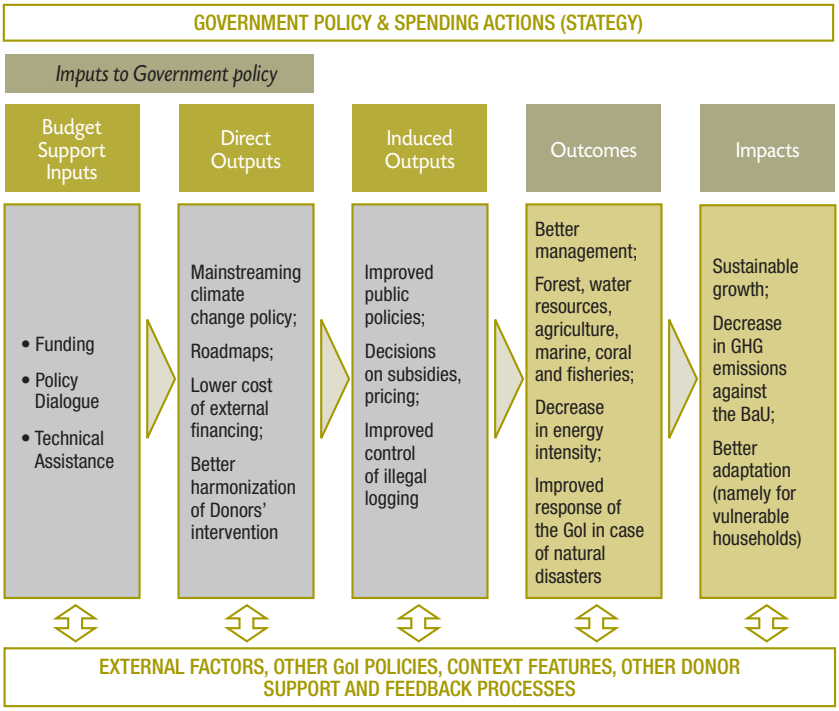
17 By trigger we mean a value for an indicator that automatically stops the disbursements when the observed value is over/under this threshold.

3.1. The Comprehensive Evaluation Framework

Because of these differences, the Comprehensive Evaluation Framework (CEF) has to be modified for a CCPL. The following figure (Figure 5) presents an adaptation of the standard CEF to the specific case of the Indonesian CCPL. This CEF is theoretical: it is merely an adaptation of the standard CEF to the case of climate change, taking into consideration the whole influence chain, from Budget Support (BS) inputs to the impacts (of the GoI's policies).

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

Figure 5. Comprehensive Evaluation Framework (CEF) adapted to the Indonesian CCPL



Source: Authors.

The standard approach to Budget Support (BS) evaluation would take into account the five levels of analysis. Levels 1 to 3 describe the relationships between Donors and the GoI. 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 better design of the policies and better implementation of these policies will allow the GoI to reach its targets in terms of impacts.

The CCPL and SGBS approaches do not exhibit many differences in Steps 1 and 2. At this stage, the main departure from standard methodology is a focus on the non-financial inputs of Climate Change Budget Support (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 provided by the ICCPL is not as 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 Budget Support (BS) is aimed at supporting a policy of the Government (that 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 Comprehensive Evaluation Framework (CEF) for Climate Change Budget Support (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 in response to climate change. For this reason, for an assessment to be valid, one should be confident that the expected impacts of Climate Change Budget Support as described in the evaluation framework are unambiguously conducive to those "fundamental" impacts.

In the case of the Standard General Budget Support (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 Budget Support (BS), even by using sophisticated techniques.

3.2. Evaluation methodology in the case of the Indonesian CCPL

The evaluation methodology as 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 Cooperating Partners' (CPs) 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 (presented linearly) would amount to:

1. Identifying the CPs' inputs in this field (funds, policy dialogue, technical assistance) (Step 1).

2. Identifying the CPs' contribution to the policy change (Did technical assistance and policy dialogue contribute to the publication of a "roadmap" by the GoI?) (Step 2.1).

3. Assuming that a decision was 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 in the amount of subsidies financed by the budget? (Step 2.2).

4. Did this decision result in a decrease in GHG emissions? (Step 2.3).

5. Were the CPs' inputs crucial to achieving these outcomes and impacts (decrease in subsidies, decrease in the consumption of previously subsidized energy sources, decrease in GHG emissions)? (Step 3).

In typical Budget Support (BS), indicators regarding outcomes and impacts are provided through the monitoring of the Government's strategy and partially financed by CPs (surveys, information systems, etc.). Some of these indicators are used in the policy matrix as trigger indicators.

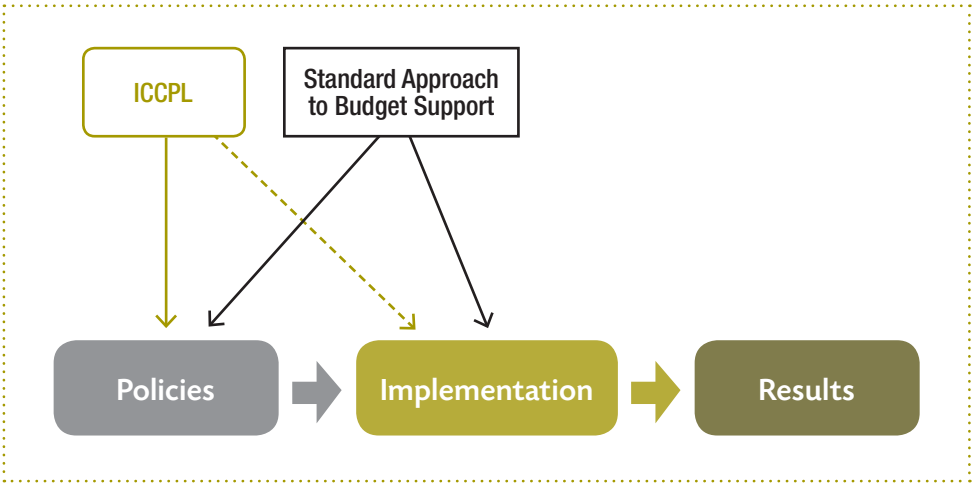
Standard Global Budget Support (SGBS) aims at supporting not only the Government's policies, but also their implementation, and thus contributing to the attainment of the targeted outcomes and impacts of the policy itself (for instance, enrolment rates as the outcome and poverty reduction as the impact). In the case of the ICCPL, the link with the results is less evident because the ICCPL's sole objective is to support the GoI's policies; it has very little

influence on their implementation. The ICCPL's only impact on implementation occurs in the form of policy actions encapsulated in the Policy Matrix. Figure 6 illustrates this difference.

This is likely to introduce some confusion into this evaluation since the meaning of "outcomes" and "results" becomes ambiguous. If we consider the Indonesian CCPL, the "outcomes" and "results" are relative only to the **support** of the GoI policies as such – and **not** to these policies' results. The traditional Comprehensive Evaluation Framework (CEF) approach does not entail such a narrow understanding of Budget Support. In this approach, the "outcomes" and "results" are those of the policy being funded by the Budget Support (see the standard CEF in Appendix 1).

The CEF that we have adapted for the ICCPL (see above) applies the standard framework (we are interested in both the policies' outcomes and their results). In our CEF, the outcomes are, for instance, a decrease in abnormal practices (like illegal logging due to 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 6. Objectives of the ICCPL *vs.* the standard approach to budget support



Source: Authors.

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, aimed at reducing GHG emissions and improving adaptation, but do not include the outcomes and impacts of these policies. It is implicitly assumed that good climate change policies and their mainstreaming will lead to the expected final outcomes and impacts. The ICCPL as such (namely its Policy Matrix) does not encompass indicators related to outcomes and impacts. For this reason (and contrary to Standard Budget Support) little attention is paid to the information systems that would allow developments to be assessed at Levels 4 and 5.

This limitation in the scope of the Indonesian CCPL is reflected in our evaluation's ToR, where it is mentioned that "*the overall objective of the evaluation is to assess to what extent the ICCPL Phase 1 has successfully provided means for the GOI to design and implement its climate change strategy, and to enhance the efficiency and effectiveness of its policies, strategies, and spending actions in order 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 to 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, mitigation and adaptation.

3.3. Evaluation questions

As a consequence of the issues and limitations presented in the previous section, 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 Budget Support operations at the country level and adapted for the specific case of the 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 (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 (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 the ICCPL in relation to climate change strategies in Indonesia and in relation to the Donors' development strategies. The relevance and interest of the selected sectors will be studied as well.

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

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

Direct outputs:

These questions are designed to analyze the direct effects of the ICCPL on overall Official Development Assistance (ODA) as it relates to Government systems.

4. To what extent has the 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 analyze the direct effects of the ICCPL on overall Official Development Assistance (ODA) as it relates to Government systems.

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

- **Details:** These questions aim to verify the implementation of a political dialogue process that accompanies the ICCPL and to examine whether this process has contributed to the establishment of a general framework of policy dialogue, embracing a majority of the relevant stakeholders, including sectoral and decentralized governmental actors. We will also analyse the general framework of dialogue, questioning 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 the ICCPL.

6. To what extent has the 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 it allowed further analysis of the need for the provision of these non-financial inputs, thus becoming more strategic and focused on Government priorities.

Indirect outputs:

7. To what extent has the quality of climate change policies and their implementation been improved by the ICCPL?

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

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

- **Details:** The question is whether public spending grew in compliance with the GoI's strategy in terms of climate change 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 contribute to the mainstreaming of climate change issues?

- **Details:** We analyse the main results of the various ICCPL inputs in terms of the visibility and awareness of climate change issues.

12. What were the immediate results of the ICCPL?

- **Details:** The questions will analyze the direct results of the ICCPL based on the actions scheduled in the Policy Matrices.

Impacts

13. To what extent were there changes in climate change management, 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 climate change policies?

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

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

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

Step 3: Linking induced outputs and results

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 in climate change impacts, that can clearly be considered a 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?

3.4. Sources

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

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

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

- GoI 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's implementation completion and results report, technical assistance (TA) notes.

- Internal documents: Steering Committee minutes and presentations, AFD *Notes au Conseil d'Administration* (Notes to the Board).
- Interviews : 14 people interviewed (AFD, JICA, GoI staff).
- Other relevant documents, namely Hein (2013), Pumomo (2013).

3.5. Conclusion

Assessing budget support in the form of a CCPL, including the Indonesian CCPL, should be based on the OECD-DAC Standard 3-Step Methodology. Nevertheless, some differences exist between Standard General Budget Support (SGBS), which is aimed at poverty reduction in Low-Income Countries, and CCPLs, which are aimed at mitigation and adaptation to climate change, and these differences should be taken into consideration. The main difference may be that in the case of SGBS, the resources provided 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 for a CCPL should be adapted.

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

The remainder of this report will apply this restricted methodology to the Indonesian CCPL. We will then draw lessons from 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-step approach to climate change issues).

4. Step 1: Inputs and direct and induced outputs

Step 1 aims firstly at describing and assessing the ICCPL programme inputs, provided by donors, and their direct influence on the relationship between external support and the 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.).

4.1. Inputs

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

Budget support

Although this evaluation covers the ICCPL from 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 during 2008, 2009, and 2010 and by the World Bank also in 2010. Together these loans constitute the Indonesia CCPL [18] (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 to by the relevant donors and the Government, and constituted part of the loan agreement, they were not pre-conditions for disbursement as such (and as found in other budget support grant and loan agreements). Compliance with the matrix performance indicators was not in itself a pre-condition for disbursement. Rather, disbursement was triggered by completion of a monitoring assessment that concluded satisfactory progress in achieving the indicators agreed to for the loan [19] in the previous year and on reaching agreement on indicators for the current or subsequent year.

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

19 The English version of the matrices makes reference to *"indications"* rather than *"indicators"*.

Table 4. ICCPL - Individual donor loans (USD million)

Disbursement Year*	JICA	AFD	World Bank	Total
2008	USD 300	USD 200	-	USD 500
2009	USD 300**	USD 300	-	USD 600
2010	USD 300	USD 300	USD 200	USD 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 2008-2010.[20]
** In addition, JICA provided USD 100 million under a linked Emergency Loan.

Source: JICA, GG21 and IGES.

Table 5. ICCPL disbursement schedule

Calendar Year	Loan Agreement		Disbursement Conditions			Disbursement
			Indicator agreement	Steering Committees*	Monitoring focus	
2008	2008 loans	2007-2009 policy matrix	April/May proposed; November agreed	SC1, 14 Nov.	2007/2008 indicators from Sept.	Nov. based on monitoring for 2007 and agreement for the 2007-2009 policy matrix
2009	2009 loans	updated 2008-2009 policy matrix	May proposed; agreed on prior to November	SC2, 12 Feb. SC3, 20 Mar. SC4, 25 Nov.	2008 indicators in Feb./Mar. and 2009 Sept./Oct.	Dec. based on monitoring for 2008 and agreement for the 2008-2009 policy matrix
2010	2010 loans	2010-2012 policy matrix	Mar. agreed	SC5, 24 Mar. SC6, 23 Nov.	2009 indicators in Feb./Mar. and 2010 Sept./Oct.	June based on monitoring for 2009 and agreement for the 2010-2012 policy matrix
2011	2011 agreed but not signed	amended 2011-2012 matrix	May agreed, but not signed	SC7, 5 July	2010 indicators in Feb./Mar. and 2011 Sept./Oct.	no disbursement
2012	No agreement	no policy matrix	Gov't policy matrix May/June	SC8, 2 Nov.	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.

Source: JICA, GG21 and IGES.

20 Part 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 in 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.

Technical assistance

Technical assistance (TA) is considered as an input in the OECD methodological approach to evaluating budget support (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 that have stemmed from the ICCPL.

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

The AFD and JICA approaches to technical assistance (TA) are somewhat different. On the AFD side, the TA was considered a part of the initial package[21] and mostly oriented toward the targeted sectors (such as forestry and energy), including part-time TA devoted to monitoring of the policy matrix. The main TA programmes implemented by AFD were through BAPPENAS (for cross-organizational issues linked to the forestry sector), the cement industry, the Ministry of Forestry (feasibility study of a small-scale green carbon market for small-scale forest plantations, and a tool for decision support in the planning of land use).

On the JICA side, the initial package included TA for monitoring, whose purpose was also to identify the barriers to implementation in climate change policies, necessary measures and further cooperation schemes. This allowed JICA, in consultation with BAPPENAS, to roll out 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 was 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 the Donors are likely to disburse in any case, just to "justify" the permanence of the TA.[22] In the case of JICA, the TA programs are still running even after the ICCPL has ended.

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 for capacity development by GoI for mainstreaming climate change is different from the CCPL, so it is not necessary for them to be aligned in terms of duration. Therefore, the TA's multi-year approach is indispensable for achieving its objective.

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.

High-level policy dialogue involved official visits by Indonesian Government delegations (half of whose officials were 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 policy dialogue at the deputy minister level took place within the ICCPL Steering Committees (SC), which will be considered in this report as an induced output because it implies active involvement by 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.

The ICCPL financial inputs were determined by Indonesia's budgetary needs and the technical assistance programs were designed 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.

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

We will look into the coherence of the ICCPL in regard to the GoI's strategy for climate change, but also in regard to the Donors' position on fighting climate change.

The ICCPL was designed to support the Government's objectives for managing 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 (GHG) emissions. Indonesia was ranked third in the world on GHG emissions, due in large measure from poor forest management and changes in land use 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, thus 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 transportation;[23]

- 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 for supporting economic development, growth, and efficiency, notably in agriculture, fisheries, and water management; and

- Cross-cutting issues, largely connected with the mainstreaming of climate change issues across Government macroeconomic, fiscal and sectoral policies and incorporation into the National Development Plan of the features of the Climate Change Road Map covering the 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 Fund).[24]

Sectors covered in the Policy Matrix were selected in dialogue 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 describe appropriate actions for reducing GHG emissions and adaptation activities in Indonesia, bridging the National Action Plan on Climate Change with the 5-year Mid-Term Development Plan 2010-2014, and providing inputs for 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) below:

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 USD 1 billion from Norway.

24 Combining resources from a number of Donors.

Table 6. 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 resources	→	→		→	→	→		→
Agriculture/ Livestock	→	→		→	→	→	→	→
Marine/Coral/ Islands/ Fisheries	→	→		→		→		→
Disaster/ Abnormal weather				→				→
Health		→		→		→		→

Source: JICA, GG21 and IGES.

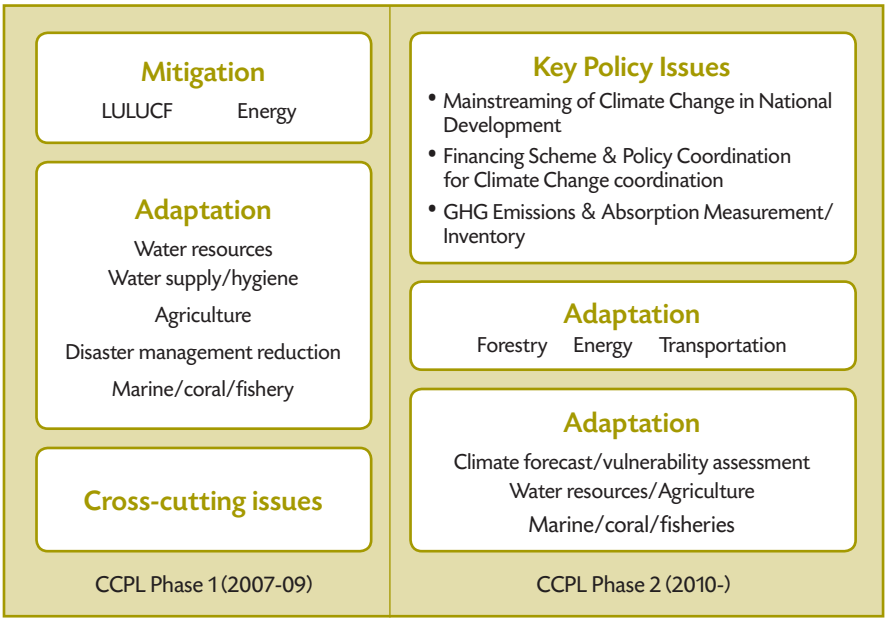
All of the documents use the sectors of LULUCF, energy (including industry), transportation and waste management for mitigation, and those of LULUCF, water resources, agriculture, marine, coral, islands and fishery, and health for adaptation.

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 into national development policy; improvement of the financing mechanisms; and understanding of the impact of climate change as the foundation for enabling and promoting policy actions in each sector.

The GoI and the development partners noted the importance of such foundations while preparing the Policy Matrix for beyond 2010. Therefore, they agreed to place more emphasis on "upstream policies" focusing on the establishment of such foundations, particularly in these three outcome areas: 1) Mainstreaming of Climate Change in the 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 understanding on the key challenges shared throughout 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 support to the local governments. The Policy Matrix for ICCPL Phase 2 became more relevant based on the updated conditions and needs identified.

Figure 7. Sectors covered by the policy matrix for ICCPL Phase 1 & 2



Source: JICA, GG21 and IGES.

Note, however, that some of the issues prioritized in the GoI's key documents were not included in the policy goals of the ICCPL. For example, mitigation actions in the waste management sector and adaptation policies in the health sector were not included in the 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 to 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 through efforts such as enhancing energy efficiency. At the same time, JICA also cooperates with developing countries suffering from severe adverse impacts as a result of climate change. In September 2009 at the United Nations Summit on Climate Change, the new Prime Minister, Yukio Hatoyama, pledged to reduce Japan's own emissions by 25% by 2020 and called for the 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 for developing countries through 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 to facilitate international recognition of developing countries' emissions reductions, in particular those achieved through financial assistance, in a measurable, reportable and verifiable manner.

- Third, as part of 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 available bilateral and multilateral financing (as well as matching), while ensuring transparency and effective utilization of assistance.

- Fourth, Japan proposes the establishment of a framework to promote the transfer of low-carbon technologies, while ensuring the protection of intellectual property rights. JICA will enhance its cooperation with developing countries that make significant efforts 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 to 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, by providing USD 300 million 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) while, at the same time, preserving the future climate of the planet. AFD has therefore adopted a process that seeks to promote solutions for low-carbon development. Its approach to providing support for emerging countries focuses on financing development that contributes to reducing greenhouse gases. In particular, operations aim to support policies that incorporate analysis of the vulnerability of systems *vis-à-vis* fossil fuels. In the field, this orientation is implemented in various sectors: energy, transportation, local authorities and urban development, forests and agriculture.

Climate change adaptation is also a major concern for AFD since 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 climate change resilience and the vulnerability of goods and persons, through the projects it finances. In addition, massive amounts of financing are needed to combat climate change. This will require the mobilization of all the public and private financial players, as well as an extensive range of both budgetary and financial market 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 policies *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 innovative financing, the dissemination of appropriate technologies, actions that combine emission mitigation and adaptation, and above all, a convergence between development and emission mitigation;

- 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 the effective and efficient implementation of international financing for climate change.

In conclusion, we can agree that the ICCPL was designed taking into consideration the already advanced national strategy on climate change and that its main features follow the pre-defined outline of the Donors' approach to climate change.

To what extent is the design adapted to the political, economic and institutional institutional context of the country?

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

For AFD, the "Notes to the Board" on each ICCPL disbursement mention the risk analysis that was systematically conducted for the loans, considering the political, economic and institutional context. For JICA, the ICCPL monitoring framework was conceived during the program-formation process, taking into account the nature of the first-ever climate change policy support associated with the provision of General Budget Support (GBS). Appraisal documents were developed and submitted to the Board for each ICCPL – risk analysis was conducted and future prospects were analyzed thoroughly and systematically for each loan.

In addition to JICA's ICCPL II (USD 300 million), an Economic Stimulus and Budget Support Loan (USD 100 million) was provided in December 2009 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 crisis in the United States starting in 2007, followed by the bankruptcy of Lehman Brothers in September 2008.

The 2007 and subsequent reports by the 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 conventional cost/benefit analysis (a marginal abatement cost/benefit analysis in the case of climate change policy),[25] but is rather based on considerations of relevance, effectiveness and sustainability mainly resulting from discussions with the GoI and the Donors.

The amount of Budget Support (BS) provided is not linked with an identifiable set of expenditures (one should remember it was not possible to identify climate-change-related expenditures in the budget). The amount needed for climate change policy implementation is difficult to assess. For instance, Hadi Daryanto, Secretary General of the Forestry Ministry,

25 The National Council on Climate Change published a document in 2010 entitled "Indonesia's Greenhouse Gas Abatement Cost Curve" (DNPI, 2010, with acknowledged support from AFD), drawing on previous work, namely a McKinsey 2009 paper.

said that "*the ministry needed at least USD 5 billion to USD 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,* 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).

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

The ICCPL is sometimes referred to as "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 markets. The advantages provided to Indonesia are: i) borrowing at a lower cost; and ii) borrowing even in adverse situations, such as during the 2008 crisis. Moreover, it is difficult to use Budget Support (BS) effectively, because these amounts are not sustainable (there is no commitment from the Donors to continue lending the same amounts over time).

For this reason, budget support has to be used for flexible expenditure items that are easy to cut. It should also be noted that the timing of disbursements is important. According to Table 5, most disbursements were made very late in the fiscal year, which is not very helpful. Finally, Public Finance Management (PFM) reports note that a problem in Indonesia is not really a lack of resources, but difficulty in disbursing already existing resources. As stated by the IMF in the Art. 4 2012 report (p. 27)[26] budget execution still represents a challenge: "*While capital spending is increasing in absolute terms, only 80% of the budgeted amount was executed in 2011, with about half of this amount disbursed during 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 under "Direct outputs" in section 3.2)

26 This problem does not seem to have been 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 raises a concern about being taken into consideration by the GoI.[27]

The ICCPL is a pioneering approach in terms of climate change 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. Among them, we have highlighted the fact that the amount of the budget support is not very significant in regard to the GoI's financial resources and this raises the issue of eventual limited leverage in discussions of climate change policy orientation.

4.2. Direct outputs

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

From a macroeconomic standpoint, a CCPL provides joint resources for the GoI and hard currency (USD and JPY) 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 (ICCPL)?

The disbursements of the ICCPL are rather small when compared with the resources of the GoI. As shown in Table 7, these disbursements amount to less than 1% 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 Budget Support 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)

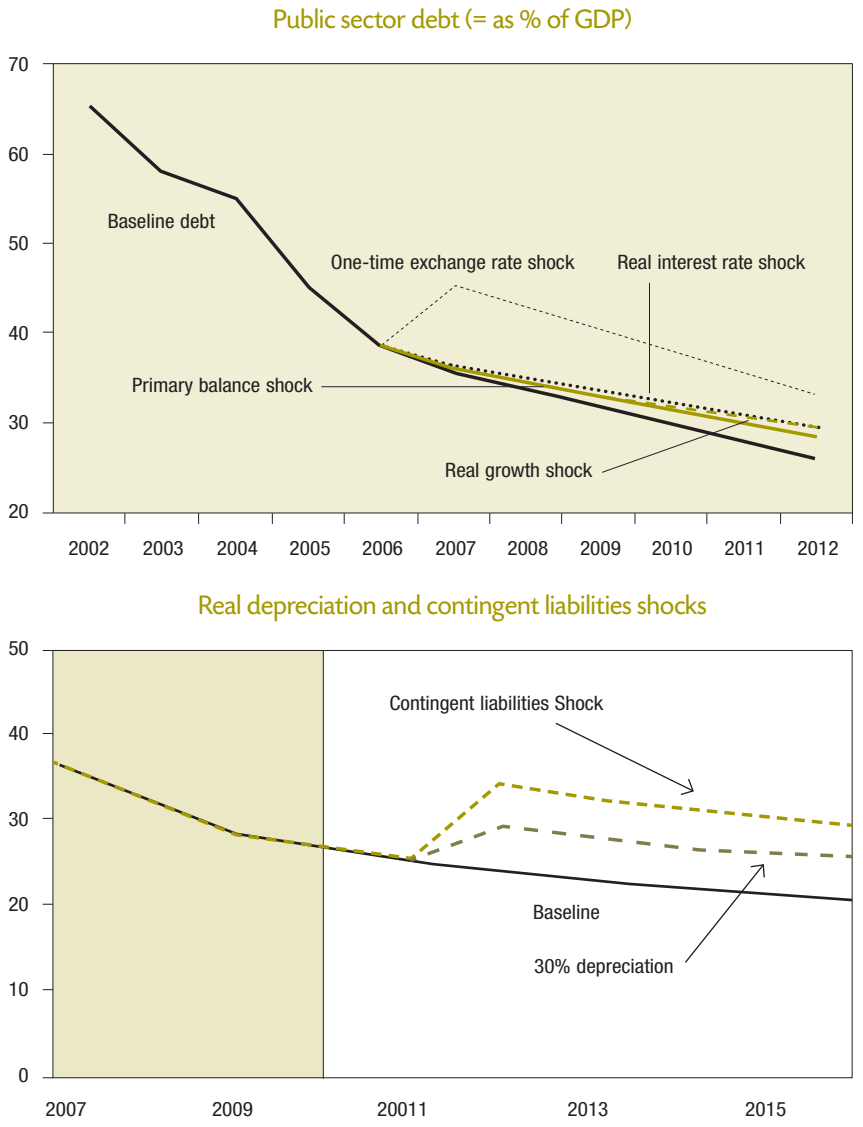
Table 7. Indonesia, Government financial operations and ICCPL disbursements

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's debt sustainability analysis, the debt was low and the projection showed that the debt dynamics were under control (see Figure 8, left side), except in case of a significant shock to 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 conducted by the IMF (see Figure 8, right side) shows that the public debt is still not a matter of concern (even when shocks are taken into account).

Figure 8. 2007 and 2010 debt sustainability analyses for 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 USD 150 billion.

Indonesia did not "need" foreign resources either, because the current account (CA) of the Balance of Payments was structurally in surplus, as was the overall balance. The CA ran a surplus of USD 10.9 billion in 2006, and USD 10.5 billion in 2007 (all figures from IMF Indonesia Reports). The reserves (Net Foreign Assets) were actually increasing, from USD 42.6 billion at the end of 2006 to USD 56.9 billion at the end of 2007 (4.7 months of imports, 197% of short-term debt). The main fragility comes from the volatility of the capital flows, 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 8). They may be of interest to Indonesia i) because of the lower cost; and ii) because of their predictability, at least on a year-by-year basis.

Table 8. Indonesia, balance of payments and ICCPL disbursements (USD billion)

	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, authors' 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 the sound Indonesian fiscal position. Nevertheless, disbursements from the CCPL at a time of crisis provided some countercyclical support, which is a valuable input.

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

Development of the Policy Matrix and the related monitoring activities aimed at generating three impacts, namely: 1) to support the coordinating agencies (*i.e.* BAPPENAS, the Ministry of Finance and others); 2) to promote cooperation between the coordinating agencies and the line ministries; and 3) to promote coordination between the central and local governments toward improving the allocation of resources necessary for policy implementation.

Additionally, coordination of the international cooperation process is no less essential than coordination within the Government. Thus, the ICCPL aimed at increasing the opportunities for dialogue between the recipient government and the development partners toward optimizing resource allocation and sharing knowledge and experiences. Toward these objectives, policy dialogues were designed at a few different levels: the steering committees; the technical committees; and sector dialogues. The steering committees invited vice-minister or general director officers of the ministries and the development partners, while the technical committees invited director-level staff of the GOI ministries and the ICCPL advisory/monitoring team.[28]

The mandates of the Steering Committee and the Technical Committee for the ICCPL are defined by BAPPENA's ministerial decree N° 203/2008 as follows:[29]

Mandates of the ICCPL Steering Committee:

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

28 This improvement in coordination between the Donors and the GoI is limited to the Donors involved in the CCPL. Indeed, other Donors were not invited to sit in at the various committees. However, the GOI did organize for a couple of years a Policy Coordination Forum back-to-back with the Steering Committee of the CCPL that could involve other Donors, but no such meeting has been arranged since 2011. This shows the importance of the CCPL as a coordination device that goes beyond the narrow circle of the stakeholders – at least until the end of the CCPL.

29 See Figure 2 for a closer look at the institutions steering the ICCPL.

Mandates of the ICCPL Technical Committee:

- Develop schedule and work plan;
- Oversee technical coordination for monitoring implementation per the policy matrix;
- Provide recommendations to the Steering Committee for problems found during the monitoring of implementation; and
- Report monitoring results to the Steering Committee.[30]

BAPPENAS and the line ministries had more opportunities for discussing climate change issues while they carried out the monitoring activities and prepared and convened the technical committees and the steering committees. BAPPENAS played a leading role in involving the relevant ministries in the dialogues, including the technical committees in which the participants deepened debate on cross-cutting issues that require close cooperation among the government ministries/agencies. Table 9 summarizes some of the major issues at the ICCPL technical committees.

Besides the technical committees, BAPPENAS and the other coordinating ministries participated in ongoing dialogues within and between Government agencies, as well as with the private sector and the local governments, as they worked on the laws and regulations related to climate change policies. The Government ministries/agencies and the local governments utilized such occasions of consultation/dialogue to share their experiences and knowledge and improve cross-organizational coordination to smoothly carry out policy actions.

Occasions for stakeholders to improve coordination were provided for by the ICCPL, namely through its Steering Committee and the Technical Committee, but also by dialogues/consultations held outside the ICCPL committees. Not surprisingly, the impacts generated through improved coordination among the stakeholders went beyond the outcome targets set in the ICCPL Policy Matrix. We will further examine the broader impacts in later sections.

30 BAPPENAS's ministerial decree N°203/2008.

Table 9. Some main topics of discussion at the technical committees (TTMs)

Date	Major issues	Major participants
Date November 5, 2008	• 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	• 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. • Progress on the development of the Second National Communication was reported.	BAPPENAS; Line ministries; JICA; and AFD
April 8, 2009	• 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	• 2009 monitoring results were approved. • Potential for 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	• 2010 monitoring results were approved. • The 2011 policy actions, as well as future policy directions beyond 2012, were discussed. As a result, the Policy Matrix covered the issuance of the presidential decree regarding the National Action Plan on Greenhouse Gas Emissions Reduction (RAN-GRK).	BAPPENAS; Line ministries; JICA; AFD; WB; and ADB
October 17, 2012	• 2011 monitoring results, as well as the status/prospects of actions beyond 2012, were confirmed. • Follow-up actions for each sector were discussed.	BAPPENAS; Line ministries; JICA; AFD; WB; and ADB

Source: JICA, GG21 and IGES.

At any rate, we can see that the ICCPL contributed to improving coordination/cooperation between BAPPENAS and the other relevant ministries, as well as within the ministries.

BAPPENAS, JICA and AFD jointly established a monitoring mechanism for the ICCPL. Monitoring activities were coordinated by BAPPENAS and the line ministries through correspondence, individual meetings, technical committees and steering committees. BAPPENAS and the development partners brought external experts into the Advisory & Monitoring team (A&M team) to enable advisory and monitoring activities with a high level of expertise on a neutral and impartial basis. The monitoring team, which was comprised of experts from Global Group 21 Japan, Inc. (GG21), IGES, etc., collected information on the policy actions' progress, attainments, and challenges in light of the Policy Matrix, with the support of BAPPENAS, as well as the line ministries and local experts.

Monitoring was facilitated 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 information collected, the monitoring team analyzed the progress, attainments, obstacles and challenges and reported the results to the steering committees together with policy recommendations on measures for overcoming obstacles, and potential areas/projects for cooperation. Thus, the monitoring activities served as a basis for discussion by the steering committees.

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 the technical committees could not gain sufficient commitment from the line ministries due to limited understanding among them of the objectives and the framework of the ICCPL. The monitoring team also faced difficulty in collecting the latest information: the team was composed of external experts, and thus their studies depended largely on study missions to Jakarta. The GoI ministries could not share details on policies and regulations that were undergoing development all the time. Later on, the monitoring team entrusted information gathering to local experts, including professors and researchers working at universities and local research companies, in between the missions. This made 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, of their obligation to monitor and report progress/attainments to the steering committees. They were also confused and bothered by overlapping monitoring activities conducted by the various

groups of development partners, including the ICCPL's requests for similar information. Such unnecessary burden and confusion could have been minimized with better coordination and communication among the 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 to them was less tangible compared to project assistance. It was natural for the line ministries to see the ICCPL as a heavy burden, since they were repeatedly requested to provide information and to attend meetings. To encourage more positive participation in the monitoring activities, more tangible incentives for the line ministries should have been designed from the initial stage of the program, and delivered *via* the monitoring activities and the policy dialogues throughout the program period. In fact, during each Technical Taskforce Meeting, BAPPENAS repeatedly informed line ministries that technical assistance was available to solve bottlenecks in implementing ICCPL policy actions. However, not many requests for this type of technical assistance (TA) were made by the line ministries, and a few TA requests did not materialize due to mismatches between Japan and the GoI in the TA processing schedule.

Through its various committees, the ICCPL created a framework for discussion focused on the GoI's climate change strategies, thus improving communication between the ministries and the Donors. However, insufficient awareness and incentives for the line ministries, which sometimes resulted in underuse of technical assistance, highlighted that there was progress to be made in establishing a well-functioning framework for enabling political dialogue among the ministries.

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), which has further enhanced the relevance of the ICCPL. The same is true for AFD's non-monitoring technical assistance (TA), which has been designed as a response to demands identified by the line ministries. Four main TA programmes were implemented by AFD (including financing of a McKinsey abatement curves study):

i. Providing expertise in the forestry sector to BAPPENAS;

ii. Financing international expertise for the implementation of a scheme to reduce emissions of greenhouse gases (GHG) in the cement industry for the Ministry of Industry;

iii. Financing a feasibility study of a small-scale green carbon market so that small-scale forest plantations (mainly villages) can have access to a 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 in land-use planning (taking into account local development needs, the dynamics of forest resources, the risks of climate change, biodiversity) for the Ministry of Forestry.

The JICA Technical Assistance program is composed of three sub-projects:

- The Low-Carbon Development Strategy Project Integrating Mitigation and Adaptation Actions into National Development Planning (counterpart: BAPPENAS);
- Capacity development for vulnerability assessment (counterpart: Meteorology, Climatology and Geophysics Agency);
- Capacity development for developing national GHG inventories (counterpart: Ministry of Environment).

The first sub-project is the most important since it includes support for the development of the National Action Plan on Greenhouse Gas Emissions Reduction (RAN-GRK), as well as the Regional Action Plan for Greenhouse Gas Emissions Reduction (RAD-GRK).

Alignment of the ICCPL with the priorities of the GoI did improve during the implementation period. This is obvious when considering the changes to the Policy Matrix resulting from the policy dialogue. The first Policy Matrix, largely formulated during the second quarter 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 support of the ICCPL later in 2008.

The Policy 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 2008.[31] During the first half of 2009, the Policy Matrix was amended to include

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 discontinued, however, and replaced by monitoring that was conducted essentially through two missions a year (around September and March, based on JICA's April to March fiscal year), during which a team of experts assessed progress, as well as compliance with, the current policy matrix actions and supported the modification and harmonization of policy matrices for subsequent loan agreements.

two additional sectors under the subject of adaptation, but was otherwise essentially unchanged. For 2010, however, a new Policy Matrix covering the Phase 2 period (2010-2012) was introduced,[32] with increased emphasis on policy development and the rationalization of specified project actions, these changes reportedly resulting from a bigger focus on upstream policy development instead of specific project-level activities. This approach was also reflected in the modified Policy Matrix proposed for 2011.

The reform actions included in the Policy Matrix covered key elements of the climate change strategy, based on 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 Technical Assistance (TA) programmes, especially the one implemented by JICA starting in 2010, were developed in response to ministries' requests is proof that the TA was in accordance with GoI's priorities and strategies.

4.3. Induced outputs

To what extent has the quality of climate change policies and their implementation been improved by the ICCPL?

During the period 2008 to 2012, the GoI carried out a number of legal and institutional reforms at the national level to mainstream climate change issues into 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 participating in the ICCPL. Therefore, we can view the ICCPL as one of the major cooperation schemes for addressing climate change issues in Indonesia, and contributing to the above attainments. The following initiatives could be highlighted as mainstreaming climate change issues in the GoI's ministries and agencies.

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

Table 10. Highlights of the establishment/reorganization of agencies and institutes concerning climate change issues

	Establishment/reorganization	Related agencies
	The National Council on Climate Change (DNPI) was established.	DNPI
2008	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 a Climate Change Committee under its Agency for Agricultural Research and Development (AARD).	MOA
	The Indonesia Climate Change Trust Fund (ICCTF) was established.	BAPPENAS
2009	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

Source: JICA, GG21 and IGES.

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

Prior to launching the 2010 ICCPL, the GoI and JICA redesigned the monitoring system. The highlights of the redesign included: 1) Officers of the Japanese Embassy and the resident JICA staff, along with the JICA experts assigned to the line ministries, organized the Official Development Assistance (ODA) task force to regularly collect information; and 2) the former monitoring team was reorganized as the monitoring-support team to provide technical support along with the above task force.

Due to this redesign, more frequent updates on the 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 were also able to provide technical/professional support for developing climate change policies to BAPPENAS and other ministries. However, the team had to undertake certain activities that cannot really be described as technically sophisticated, such as supporting BAPPENAS to organize the Technical Committees and Steering Committees by creating the letters of invitation and agenda as well as the conference materials.

The increased opportunities for the monitoring-support team to exchange 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 barriers to climate change policies, as well as the need for additional technical cooperation projects (see also section 2.4).

Unfortunately, some of the challenges of the monitoring activities, particularly those related to target-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 by collecting information, analyzing and verifying the attainments, and specifying the obstacles. Insufficient clarity in target-setting, including for the anticipated outcomes and policy actions described in the Policy Matrix, as well as inadequate means for 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 had already been abandoned or postponed by the implementation agency when they were introduced 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 regarding the implementing ministries/agencies. In particular, the annual actions required for adaptation measures in the sectors of water resources management, agriculture, and marine and fisheries were not appropriately set up to allow clear performance measurement: they lacked clear requirement measures; their linkage to the attainment of final outcome (or medium-term) targets were not clear; and some of the policy actions/targets were presented in compound clauses, even though they should have been broken down into multiple performance indicators with little interaction with each other.

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

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

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

In the energy sector, the monitoring activities highlighted the necessity of introducing the Feed-in-Tariff system and the exploration of funding schemes to incentivize 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 the institutional development, including MEMR Regulation N°32/2009 on the "Standard Purchase Price of Electricity Power by PLN from Geothermal Electricity Power Plants", as well as international cooperation projects, including studies on risk-mitigation measures such as the exploration funds by BAPPENAS and KfW.[33]

Additionally, the monitoring-support team cooperated with BAPPENAS in supporting activities related to the development of the Regional Action Plan on Greenhouse Gas Emissions Reduction (RAD-GRK) 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 in convening workshops, inviting the representatives of the provinces to promote smooth implementation of RAD-GRK.

Last but not least, the ICCPL's monitoring modality was reflected in the GoI's monitoring system for implementation of the National Medium-Term Development Plan (RPJMN). The GoI incorporated its experiences with ICCPL Policy Matrix development and related monitoring activities into its own monitoring system for the policies specified under RPJMN, and GoI introduced the concept of "Reward and Punishment" to provide the implementing bodies, such as the national ministries and the local governments, with better incentives. Hence, we can contemplate that the existence of the ICCPL indirectly contributed to improvements in the transparency and effectiveness in GOI policies.

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

We need to mention the cooperation programmes, as well as the projects developed 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 a wide range of impacts on climate change policies in Indonesia by directly supporting the development of the action plans, conducting of vulnerability assessments, and the development of a greenhouse gas (GHG) inventory system. The project was launched as a result of a needs assessment during 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 ICCPL Phase 2 cooperated on, for instance, activities in support of RAD-GRK development under sub-project 1. As a result, this project is recognized as the most significant cooperation project deriving from, and concurrently operated with, the ICCPL.

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

Table 11. Activities under JICA's Project of Capacity Development for Climate Change Strategies in Indonesia that are closely related to the ICCPL

Sub-Project 1: Low-Carbon Development Strategy Project Integrating NAMA & Adaptation into the National Development Planning	• 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 development of the National Adaptation Strategies.
Sub-Project 2: Capacity Development for Vulnerability Assessment	• Technical support for the establishment of systems in: 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 support for the preparation of guidance on inventory development (provided particularly to the waste management sector as a test run).

Source: JICA, GG21 and IGES.

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 BAPPENAS acknowledged 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 higher quality. According to our interviews, the GoI drew on experience acquired during monitoring of the ICCPL (based on the policy matrix), while designing and implementing the monitoring systems for the National Action Plan and the Regional Action Plan on Greenhouse Gas Emissions Reduction (RAD-GRK).

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

Also, technical assistance for the enhancement of coordination and facilitation, especially in local governments, such as the one in the Bappeda South Sumatra Offices, seem to have a real positive influence on the policy process at the local level. During the interviews, local officials 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 strengthening climate-change-related institutions, the ICCPL had a considerable influence on the quality of the climate-change policy process and policy implementation.

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

The basic problem is that expenditures by various ministries, local bodies, agencies and State Owned Enterprises (SOEs) are all contributing to mitigation or adaptation to climate change. Hence, it is usually difficult to trace and attribute improvements in this field.

The Ministry of Finance has been working out a new nomenclature for public expenditure taking into account explicitly climate-change-related expenditure. This will allow for identification of climate change expenditures by the various ministries. Nevertheless, since any economic activity can be seen as having an impact on climate change, not too much should be expected from such a development (an analogous difficulty has been experienced with the identification of "poverty alleviating expenditures" in the case of debt relief in Low-income Countries).

Moreover, public finance management is switching to management by results, which would allow the objectives in terms of climate change to be linked to the expenditures. The GoI introduced Performance-Based Budgeting (PBB) in 2011. Climate change programs by the line ministries are part of the overall PBB process. While PBB is still in the early stages of implementation, from a general perspective, some notable implementation milestones have already been achieved. JICA is conducting a technical cooperation project to strengthen the capacity of Government organizations, including BAPPENAS, for PBB system implementation under the Medium-Term Expenditure Framework (MTEF).

Based on the National Medium-Term Development Plan (RPJMN), the Medium-Term Expenditure Framework and the President's 11+3 priorities, climate change is classified as one of the priority areas. As such, the climate change budget performance of the line ministries will be monitored through trilateral meetings attended by BAPPENAS, the Ministry of Finance (MOF) and the line ministries, in preparation for the next year's budget, prior to the national consultation process, which occurs every April.

Based on the results of monitoring by this trilateral group, the performance of the line ministries' climate change programs will be reflected in the next year's Government Action Plan (RKP), 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 is announced in August.

Since 2011, the Government Action Plan has included the category of climate change (mitigation, adaptation and supporting activity) with an allocation of funds for the years to come.

Thus, the 2011 policy indicator ("Implement performance-based budgeting for the policies, programs and activities of the line ministries related to climate change") was achieved in the broader overall Performance-Based Budgeting context.

Therefore, the Performance Based Budgeting that was introduced in 2011, reflecting partly the 2011 ICCPL policy indicator, will raise awareness and provide incentives related to climate change for the line ministries and local governments. Though the minutes of the Steering Committee 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 for the line ministries and agencies to consider climate change issues more proactively. Technical assistance provided by JICA for raising the climate-change-related capacity of the local governments and support provided by the ICCPL monitoring-support team to the BAPPENAS Secretariat in preparation of RAD-GRD (The Regional Action Plan on Greenhouse Gas Emissions Reduction) provided support, if not direct incentives, to the local authorities.

Box 2. **Taking climate issues more 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 the GoI. Postponement of the price adjustment was likely to boost energy subsidies to 3.5% of GDP, compared with 2.6% 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*". Table 12 shows that the amount spent on 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% for industry and by 31% for households).[34]

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Source: Authors.

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

Table 12. Indonesia, energy subsidies

In billion USD	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 raising gasoline prices by 44% to 6,500 rupiah (USD 0.65) a litre and diesel by 22% to 5,500 rupiah (USD 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, to cope with the adverse effects on poor people.

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 cost 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 energy prices. Pressure for taking this step was exerted not only by the ICCPL, but by the Bretton Woods Institutions, think tanks like Global Subsidies Initiative,[35] etc. Moreover, deterioration in 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 making. 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 higher[36] because it will increase prices, interest rates and may lead to capital flight, as was the case in 2005.

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

The ICCPL did contribute to identifying climate-change-related public expenditure. Moreover, climate change policies are now taken into consideration in Performance-Based Budgeting. The ICCPL contributed to the publication of GoI's roadmap for dealing with the reduction in energy subsidies. Nevertheless, a decision on this was not made until 2013.

To what extent have governance and democratic accountability been strengthened?

For disbursement to occur, there was no pre-set requirement regarding compliance with the conditions included in the policy matrices. However, in reality, there was 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 to. Of course, it must be recognized 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 policy 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, since the baseline for steps to be taken 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 given the relatively short period before compliance assessment had to occur under the monitoring regime.

Further, negotiation of the loan agreements was part and parcel of the policy dialogue. Therefore, as part of the process of policy formulation and amendment in light of changing 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 presents a 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 negotiations took place, and in some years resulted in protracted discussion before agreement was reached, indicates that the Donors' agenda did differ from that of the Government. This suggests, therefore, that the donors were perhaps able to influence the Government's agenda or schedule. Indeed, the fact that the initial Phase 1 policy matrix, essentially applicable to 2008 and 2009 (and the basis of 2010), included elements that were not incorporated into the 2007 CC NAP, but they were subsequently included in Government policy statements and climate change documents. This suggests that the ICCPL had an impact

both on the design and the 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 forums on climate change, even before the ICCPL, reflected not least in the emissions reduction commitment of 2009, is evidence of the Government's awareness of the implications and possibilities of climate change, and the potentially disruptive effects 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 recognized among officials and agencies as contributing strongly to bringing the issue 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 cross-cutting objectives has probably had the greatest impact (as evidenced in the rebalancing of the 2010 policy matrix to bring these objectives to the forefront), and ironically is likely to be the greatest loss from the ending of the ICCPL.

5. Step 2: Results and impacts of national strategies

Step 2 aims to assess 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. The forestry sector will definitely fall under this 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. The energy sector will also be considered, through JICA's specific recruitment of an expert in this area. Besides assessing the results and impacts of the ICCPL, we will try to identify the determinants of the observed changes.

5.1. Results in terms of GoI's response

Has the ICCPL induced changes in the macroeconomic environment?

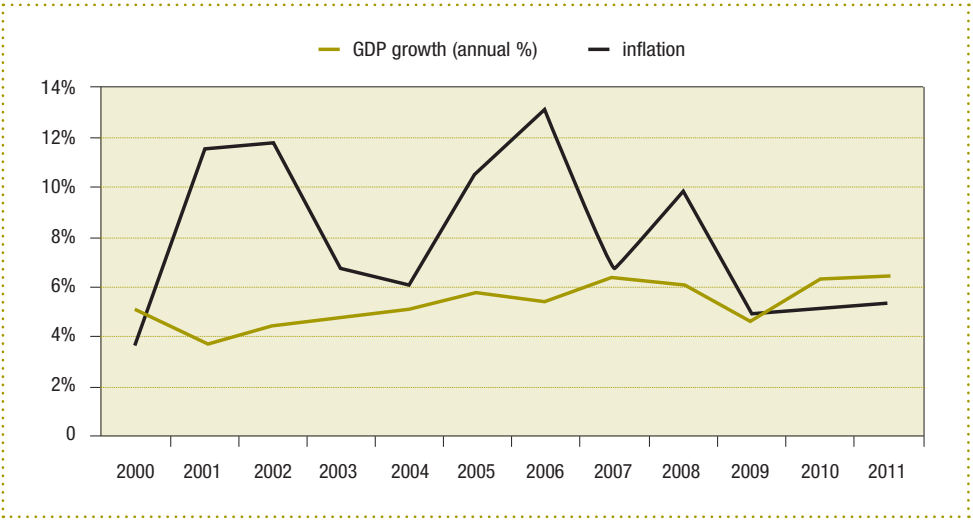
Before presenting analysis related to this question, we would like to draw attention to the fact that macroeconomic stability was not an objective of the ICCPL as such. However, the ICCPL might have unexpected positive or negative macroeconomic effects on the Indonesian economy.

The macroeconomic record of Indonesia in recent years is impressive (see Figure 9 below). Growth has been maintained at around 6% per year, except for a slight fall to around 4.5% in 2010. Inflation has been more difficult to manage, but has remained broadly under control. Inflation actually fell in recent years, offsetting increases in imported food prices (domestic fuel remained subsidized), and the currency remained relatively stable, appreciating slightly against the US dollar. The potential growth rate of the economy was estimated at between 6% and 8% by the IMF in 2011.

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

However, these noticeable achievements did not result in inclusive growth because of an increase in inequality. As the 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 USD 1.25 per day has declined from 48% to 18% 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 USD 468 billion over 2011–15, of which nearly half will be in infrastructure.*"

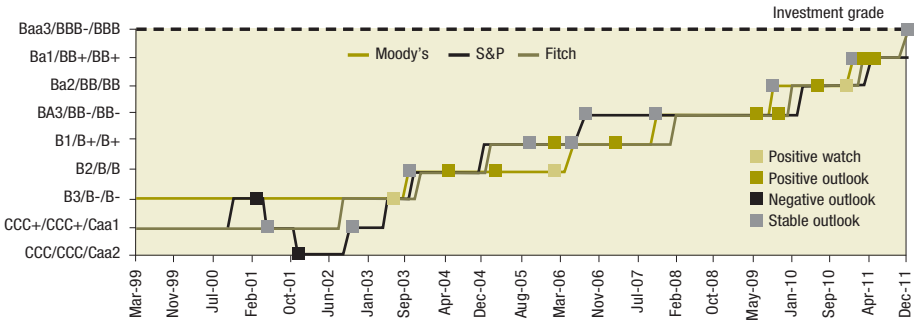
Figure 9. Indonesia, GDP growth and inflation



Source: IMF and World Bank.

This improvement in the economic situation is reflected in Indonesia's improving credit rating (see Figure 10).

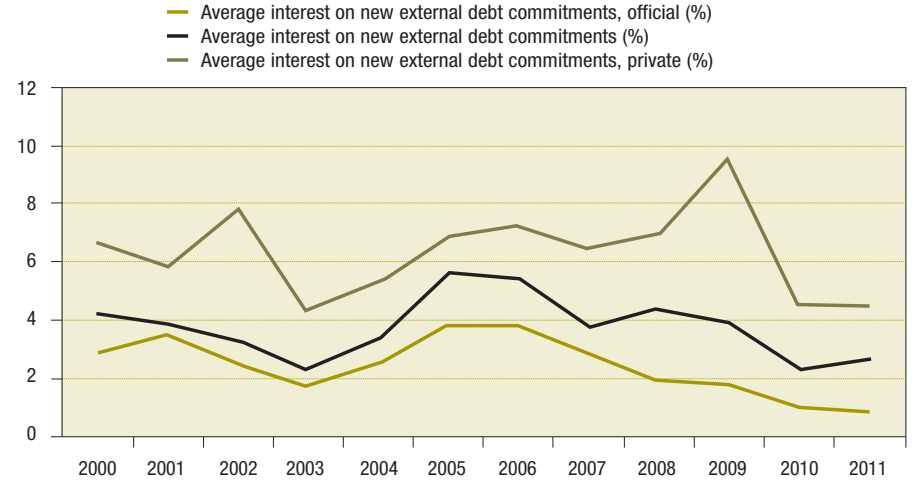
Figure 10. Indonesia's credit ratings, 1999-2011



Source: S&P, Moody's, Fitch.

This improvement in the credit rating has resulted in a decrease in the amount of interest paid for borrowing from external sources. As a consequence, the advantage provided by the ICCPL in terms of cost of borrowing did fade away relatively fast. Nevertheless, the credit-ratings improvement remains fragile. In May 2013, Standard & Poor's lowered its ratings outlook for Indonesia's debt to stable from positive, indicating that a stalling in reform momentum and a weaker external profile had reduced the chance of an upgrade over the next 12 months.

Figure 11. Indonesia, average interest rates on new foreign borrowing (%)



Source: World Bank, WorldData, downloaded 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 relief (nevertheless limited to the difference in the cost 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, Indonesia's external public and publicly guaranteed external debt increased by USD 20 billion (from USD 80 billion to USD 100 billion), according to WB World Data, which means that the ICCPL amounted to less than 10% of the increase – thus not undermining the sustainability of the debt.

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

Did the ICCPL inputs contribute to mainstreaming of climate change 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 opportunities for dialogue toward enhancing coordination and cooperation, in addition to those embedded in the ICCPL process.

Table 13 below highlights the topics of dialogue within (intra) or among (inter) ministries that were initiated by BAPPENAS and other ministries as they developed laws and/or action plans on climate change issues. Some of the dialogues also involved the private sector and researchers.

Table 13. Highlights of laws/action plans developed through ministry dialogues

	Major topic	Major participants
2008-2009	Development of the Indonesia Climate Change Sectoral Roadmap (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 was particularly emphasized.

These dialogues and consultation meetings have significantly improved coordination among the stakeholders. For instance, the Ministry of Forestry (MOFR) took the initiative in discussions with other ministries regarding the definition and regulation of peatland, and reached outstanding results, including agreement on a map of "moratorium areas" (those with a two-year suspension in new concessions) to ensure consistency among the regulations prepared by different ministries.

Table 14. Highlights of issues discussed/coordinated among ministries

	Major topic	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 guidelines 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 Peatland Moratorium Map (PIPIB)	MOFR, MOA, UKP4, BPN, BAKOSURTANAL

Source: JICA, GG21 and IGES.

Due to decentralization, BAPPENAS had lost a significant share of its weight (influence). With the ICCPL, however, BAPPENAS found itself again in a powerful position since the presence of external stakeholders lent more strength to its requests for data from the ministries. We can thus say that one impact of the ICCPL was the strengthening of BAPPENAS. However, we must note that in the beginning, local governments saw 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.

In our perception, the ICCPL has increased coordination between the line ministries and BAPPENAS since it offered a framework for discussion, but it had little direct [37] impact on relations with local governments.

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

37 The CCPL had some direct impact on promoting collaboration between the central and local governments, especially in the area of drafting RAD-GRK, which has been supported technically by BAPPENAS and financially by MoF. However, the guidelines for 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 strong opposition to this kind of "tool". Countries like Indonesia ("Non-Annex I Countries") committed themselves not to borrow for climate change purposes during the international negotiations, arguing that the developed countries are responsible for climate change and should bear the burden of mitigation and adaptation. This makes it difficult for the GoI to publicize issues related to the ICCPL as such, even if it is rather easy for it to advertize its climate change 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 of activities; and the policy dialogues regarding the ICCPL process, which can be utilized for the formulation and implementation of future cooperative programs that address climate change issues based on international agreements.

The Bali Action Plan, as well as the Copenhagen Accord, state that the international community needs to strengthen financial and technical cooperation in order to reduce the GHG emissions of developing countries. Financial schemes to support medium- and long-term policies were discussed at the Conference of the Parties (COP) 18 in 2012, where the developed countries were "encouraged" to provide financial support amounting to at least the annual average of the fast-start finance period for 2013-2015.[38] Besides mere increases in the amount of funding, measures to correct the imbalance between the development needs of the recipient countries and the provision of financial support have also become hot topics of discussion. Toward this objective, the United Nations Framework Convention on Climate Change (UNFCCC) developed the Nationally Appropriate Mitigation Actions (NAMAs) registry system and unveiled the prototype at the 36th UNFCCC Subsidiary Body Conference (SB36, Bonn) in May 2012.

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

38 Since the Copenhagen Accord, developed countries have provided more than USD 33 billion to developing countries' climate change policies. The funding provided by the Government of Japan adds up to USD 13.3 billion, accounting for 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).

However, the registry system alone does not ensure smooth implementation of the entire process, including NAMA 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 strongly desired from the preparation stage of the project/program so the stakeholders can share information, discuss the expected outputs and impacts of the policies, and reach agreement on methods for monitoring and verification.

CCPL provided the GoI with fruitful lessons related to the above-mentioned issues: BAPPENAS used experience gained through the monitoring activities to develop the Measurement, Reporting and Verification (MRV) system for the actions specified in the National Plan for Greenhouse Gas Emissions Reduction (RAN-GRK), as well as the Regional Plan for Greenhouse Gas Emissions Reduction (RAD-GRK). Moreover, the lessons could also apply to fund raising through the NAMA registry system and to MRV systems in other developing countries.

It would have been interesting to assess if the ICCPL induced an observable "change of mind" among the officials/administrators at each of the ministries/agencies, and/or modifications to procedures, in order to better take into account climate change issues. Unfortunately, we are unable to assess this since a comprehensive body of evidence is missing, and anecdotal pieces of information are not enough to make for rigorous analysis.[39] Extensive interviews with the staff of various ministries would have been needed, but because of the high turnover in the ministries, the lack of institutional memory, and expressed reluctance to burden the same officials that had already been interviewed by the first ICCPL evaluation team, we could not conduct such an analysis in a thorough way.

The ICCPL had an impact on the mainstreaming of climate change issues to the extent that it contributed to maintaining and crystallizing the climate change momentum sparked by the UNFCCC 13th Conference of the Parties in Bali. It also enshrined the legitimacy of BAPPENAS in the climate change decision-making and resource-allocation process. However, we did not detect improvement in terms of the public discussion about climate change.

39 For instance, an official of the Ministry of Forestry acknowledged having opposed the creation of Forest Management Units (FMUs) (and hence the involvement of the Ministry in the ICCPL) 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.

What were the immediate results of the ICCPL?

Besides the above initiatives toward mainstreaming 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 covered substantial aspects 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 in 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)". Progress includes:

- Indonesia Climate Change Sectoral Roadmap (ICCSR) was finalized in 2010;
- Indonesian Voluntary Mitigation Action was sent by GOI to UNFCCC in 2010;
- Based on the concept of NAMA, the Guideline for RAN-GRK was issued in 2011;
- The Presidential Regulation N°61/2011 on RAN-GRK was issued in 2011;
- The 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 in 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". Progress includes:

- 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 mechanisms were conducted in 2011.

The policy actions set in 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". Progress includes:

- The GHG Inventory System (SIGN) unit was established in 2010;
- Presidential Regulation 71/2011 on the National GHG inventory was issued in 2011;
- To further implementation of the National GHG inventory, the general inventory guidelines were completed in 2011; and
- The SIGN Centre was established in 2013.

Forestry

The policy actions set in 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, the financial scheme for local governments, and timber legality". Progress includes:

- 59 model Forest Management Units (FMUs) have been established on site, along with the development of a regulatory FMU framework for supporting the implementation of FMUs in provinces and districts;
- A Mechanism of Forestry DAK (Special Allocation Fund) has been expanded regarding areas and activities eligible to be funded, along with the issuance of a Technical Guidance of Forestry DAK for FY 2012;
- A timber legality verification system (SVLK) has been developed to verify legal harvesting.

The policy actions set in the area of **Peatland Conservation** aimed at attaining the outcome target: "An institutional and regulatory framework to conserve and restore peatland is improved". Progress includes:

- Government regulations on lowlands and on the protection and management of peat ecosystems were prepared, and are currently undergoing policy coordination;
- The map for a peatland hydrological unit in Sumatra was produced.

The policy actions set in the area of **Reducing Emissions from Deforestation and Forest Degradation Plus (REDD+)** aimed at attaining the outcome target: "Emissions from deforestation and forest degradation is reduced through the implementation of a national REDD framework". Progress includes:

- Presidential Instruction N°10/2011 on the moratorium in awarding new licenses in primary natural forests and peatlands was issued in May 2011, and the Ministry of Forestry produced moratorium indicative maps (PIPIB);
- A National REDD+ Strategy was finalized in June 2012 by the REDD+ Task Force.

The policy actions set in the area of **Afforestation and Reforestation** aimed at attaining the outcome target: "Carbon sink capacity is increased through reforestation activities". Progress includes:

- The 100,000 hectare replanting program has been completed and technical design was developed for another 100,000 hectares;
- A Ministerial Decree (SK.07/Menhut-II/201) on forestland allocation for timber plantation was issued in January 2011.

Energy

The policy actions set in 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.

Progress for outcome target 1) includes:

- A Geothermal Exploration (Revolving) Fund created in 2011; and
- A Feed-in-Tariff (FIT) for geothermal power producers introduced in 2011.

Progress for outcome target 2) includes:

- A Feed-in-Tariff (FIT) for biomass, biogas and MSW was introduced in 2012; and
- Preparation of a FIT for solar and wind has progressed and was to be introduced in 2013.

The policy actions set in 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 contributes to fiscal budget management.

Progress in outcome target 1) includes:

- The Ministry of Industry's (MOI's) Grand Strategy for Energy Conservation in the Industrial Sector with financing from the Indonesia Climate Change Trust Fund (ICCTF) was introduced, with its first phase covering energy conservation and emissions reduction by 35 steel producers and 15 pulp-and-paper companies implemented; and
- MOI Technical Guidance for emissions reduction in the cement industry was issued in 2011.

Progress in outcome target 2) includes:

- The National Master Plan for Energy Conservation (RIKEN) was prepared (its issuance is subject to the issuance of the National Energy Policy (KEN); and
- Procedures and prerequisite performance tests for Energy Saving (CFL) lamps was introduced.

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

- The roadmap for energy subsidies was completed in 2010; and
- Electricity subsidies were reduced in the 2012 State Budget (APBN 2012) by IDR 20 trillion compared with the 2011 State Budget (APBN 2011).

Transportation

The policy actions in the area of **Overall Transportation Policy** aimed at attaining the outcome target: "Transportation policy is enhanced enough to avoid deteriorating traffic congestion". Progress includes:

- The Jabodetabek Transportation Master Plan was revised in 2011; and
- The Presidential Regulation creating the Jabodetabek Transportation Authority (JTA) was drafted by 2011.

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

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

The policy actions in the area of **Traffic Management** aimed at attaining the outcome target: "Traffic management is enhanced enough to avoid deteriorating traffic congestion". Progress includes:

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

Adaptation

The policy actions in the area of **Climate Forecasting and Impact and Vulnerability Assessment** aimed at attaining the outcome target: "Strengthening of the institutional and regulatory framework and capacity for scientific research on adaptation". Progress includes:

- 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 for the period 2011 to 2014 was issued.

The policy actions in the area of **Water Resources Management** aimed at attaining the outcome target: "Improving water resources management including climate change adaptation measures specifically in nationally strategic river basins". Progress includes:

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

The policy actions in the area of **Agriculture** aimed at attaining the outcome target: "Strengthening of institutional and regulatory framework to improve resilience of farm production and reduce drought risk". Progress includes:

- The System for Rice Intensification (SRI) has been carried out since 2007;
- The Climate Field School Programs (CFS) have been carried out since 2007;
- Land management without burning has been carried out since 2010;.
- A Presidential Instruction on security measures for rice production in extreme climate was issued in 2011; and
- Technical guidelines for CFS and SRI (see above) have been issued each year by the responsible departments within the Ministry of Agriculture (MOA) and the Agency of Meteorology, Climatology and Geophysics (BMKG), respectively.

The policy actions in the area of **Marine, Coral and Fisheries** aimed at attaining the outcome target: "Strengthening of institutional and regulatory framework to manage coastal zones and small islands". Progress includes:

- 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 carbon dioxide (CO_2) flux, and updating of the Strategic Plan for Blue Carbon Research was carried out in 2010 and 2011.

Given that the ICCPL was not publicized as such, there are no direct results regarding the diffusion of data that can be directly linked to the ICCPL. Nevertheless, interviews showed that the monitoring of, and capacity building for, greenhouse gas (GHG) measurement provided by the ICCPL improved the quality of the data on climate change. The Early Warning System of the Agency of Meteorology, Climatology and Geophysics (BMKG), included in the ICCPL Phase 1 policy indicators, has reinforced both the quality and the diffusion of climate change data.

5.2. Impacts on climate-change-related development issues

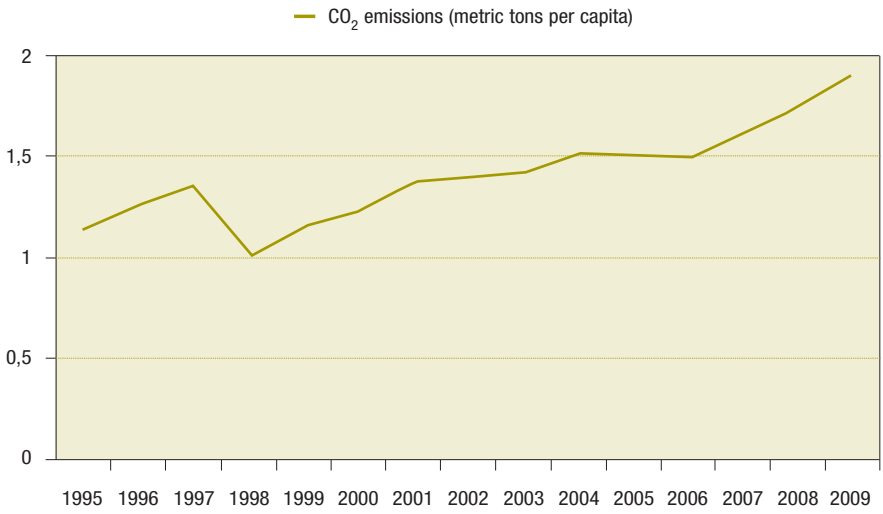
To what extent were there changes in the mitigation of, and adaptation to, climate change, and can these be related to changes in the political or Government policy processes and/or to other external or internal factors?

According to the latest data available, carbon dioxide (CO_2) emissions grew from 341 million tons in 2005 to 452 million tons in 2009 (WorldData, World Bank, 22/6/2013). Moreover (see Figure 12), CO_2 emissions per capita grew steadily from the end of 1997 to 2009. However, the impact of the implementation of mitigation policies is likely to take a long time before it is observed.

Nevertheless, on April 18, 2013, Environment Minister Balthasar Kambuaya said Indonesia had cut 18% of its greenhouse gas emissions in the past year, out of its total 26% target set for 2020 (Presidential Regulation N°61/2011 on the National Action Plan on Greenhouse Gas Emissions Reduction).[40] The Minister said these figures can be achieved due to the implementation of various programs, such as the Proklim project, trash and waste management projects, as well as transportation and industry sector management, and he outlined other efforts such as mass tree planting. Moreover, the Minister mentioned that only 21 districts throughout Indonesia have calculated greenhouse gas emissions, and he added: "*For districts that have not made calculations, please do so, because we want to know how much gas emission we have reduced concretely*", casting some doubt on the relevance of the overall figures, and on the involvement of local governments in the process of fighting climate change.

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

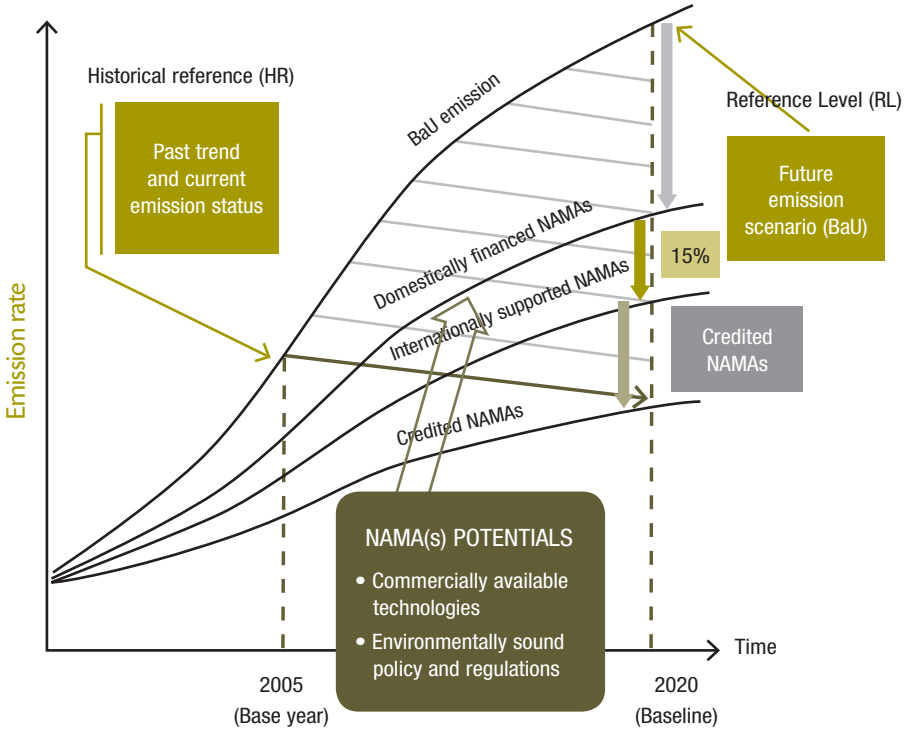
Figure 12. Indonesia, CO_2 emissions per capita



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

Figure 12 above is difficult to reconcile with the Business As Usual (BaU) scenario and the targets for 2020. Nevertheless, Figure 13 below shows that in order to reach the objective of reducing GHG emissions by 41%, carbon dioxide equivalent (CO_2eq) emissions should remain more or less stable with regard to their level in 2005.

Figure 13. CO_2eq emissions according to different scenarios



Source: Helmy (2011).

We must not forget, however, that in parallel to the ICCPL there has been significant funding for climate change policies by other donors, mainly taking the form of grants and technical assistance (TA).

The lack of accurate and precise data on the evolution of greenhouse gases (GHG) prevents us from making an accurate assessment on their decrease (or increase), but a clear improvement in the ways used to manage climate change can be observed during the period under consideration.

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

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

Since a large part of the documents of the ICCPL's coordinating bodies have not been made public (such as the minutes of the Steering Committees), most actors are not aware of the ICCPL as such, even if they have good knowledge of the programs and projects of the GoI.

However, it should be noted that the establishment of policy indicators on the mainstreaming of climate change and on the development of institutional and regulatory frameworks related to the issues, such as Forest Management Units (FMUs), REDD+, timber legality, peatland management, geothermal development, energy conservation in cement and other industries etc., did affect the activities of private enterprises, local governments and civil society, including NGOs and the indigenous people.

Insofar as the ICCPL contributed to symbolizing the commitment of the GoI to fighting climate change (somehow limited by the commitment of the GoI not to borrow for climate change issues), it succeeded in convincing private actors to take steps toward climate change mitigation or adaptation. Continued pressure from national and international NGOs reinforced this trend. As a result, for instance, the Indonesian firm Asia Pulp and Paper Group did commit in January 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 participation by civil society in climate change policies, but local government saw its involvement increase, especially through the Regional Action Plan on Greenhouse Gas Emissions (RAD-GRK), and some private firms have taken steps towards taking into account impacts on the environment and biodiversity.

The structures put in place solely for the management of the ICCPL are not supposed to be sustainable as such. By contrast, the processes and permanent structures related to the ICCPL should continue to develop even after the ICCPL.

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; the maintenance of momentum for 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); containment of the growing amount of emissions from fossils fuels through the promotion of energy efficiency and the growth in renewable energy sources (including further harnessing of geothermal and hydroelectric resources).

Of growing importance also was the increasing significance of climate change management in the planning processes of sectors key to development, especially agriculture and fisheries, both of which are central to rural livelihoods and poverty reduction, as well as forestry. Also relevant are the energy and transportation sectors, which are important elements in the advancement industry and a central feature of plans to stimulate future sustainable economic growth and employment creation.

With the National Action Plan (RAN) and the Regional Action Plan on Greenhouse Gas Emissions Reduction (RAD-GRK), the Indonesia Climate Change Trust Fund (CCTF), as well as the growing number of climate change initiatives spurred by the GoI, we can postulate that the change in climate change policy has been fully integrated by the GoI. Furthermore, the initiatives to include climate change policies in the mid- and long-term development plans will ensure the sustainability of the results.

The GoI has claimed full ownership of climate change 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 the GoI's priorities, which would redirect resources away from climate change concerns. Where the results induced by the ICCPL are concerned, their sustainability stems from that of the processes put in place.

6. Step 3: Examining the links between GBS and Government strategy

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

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

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

In other budget support (BS) evaluations, authors sometimes resort to econometric analysis in order to assess the importance of the budget support program in the attainment of results. While this approach has been widely used in assessments of budget support 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 budget support has been provided, in a cross-section or panel dataset. In addition to the econometric shortcomings, 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's contribution to the institutional changes that were mentioned as indirect outputs and which played a key role in attaining the results and impacts detailed above.

6.1. Was the ICCPL relevant?

Discussions regarding the ICCPL began in 2007 at the time when 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 (CC) and the need to adopt policies to manage CC's 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 approach 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.

The 2007 National Action Plan Addressing Climate Change provided the framework for the ICCPL policy dialogue, initially with JICA, but subsequently also with AFD (and later with the IBRD and the Asian Development Bank), and also defined much of the policy matrix agreed to 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 the Government in the implementation of its climate change strategy.

Given that the 2007 National Action Plan Addressing Climate Change had progressed through various documents (the DPRCC in 2008, the SNC in 2009, and the ICCSR in 2010), and given that the President's declaration of targets to reduce GHG emissions in 2009 was moved 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, in combination with more specific programmes (such as improved forestry management and energy efficiency) provide a consistent, and in some sense pioneering, agenda for the Government's approach to climate change.

In step with this, the logic of the ICCPL policy matrices (including pre-conditions for disbursement) reflects developments in, and actions toward, the implementation of Government-led climate change policies, including the Government's own commitment to

mainstreaming climate change across all social and economic policy (with climate change issues as areas of intervention and objectives within the MDTP, annual action plans, and in 2012 introduced as a cross-cutting classification in budget codes).

This suggests that the ICCPL has had continuing relevance, not merely during 2008-2010 when the financing agreements were signed, but also through 2011, when they were not, and into 2012 when the Government developed its own policy matrices under RAD-GRK, continuing the dialogue and monitoring of performance as under the ICCPL.

6.2. What was the result of the ICCPL?

Has there been a change in the implementation of climate change policies, or in climate change impacts, that can be clearly considered to be a product of the ICCPL?

The observed change in terms of climate change 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 inputs provided created the opportunity to carry out the ministries' coordination mentioned in the outputs, and this resulted in the mainstreaming of climate change issues at the Governmental 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 technical assistance that was part of the package improved the existing tools that contribute either to the evaluation of the efficiency of climate change policies (for example: monitoring, capacity building for GHG measurement, sectoral studies), or directly to the fight against climate change (example: support for Forestry Management Units).

Finally, drawing on the *ex post* evaluation report titled "Indonesia: Development Policy Loans (I)-(IV)" by Shimamura, Wakasugi and Sugimoto (2010), and limiting the scope of analysis to the ICCPL, we can say that the ICCPL performed: (1) a "push up" function, impacting the Indonesian Government's reform initiative by supporting champions within the Government; (2) a "symbolizing" function, by demonstrating a strong commitment by the Government to reform, both in and outside the country; and (3) a "coordination" function, by formulating an institutional framework for reform implementation and facilitating and strengthening coordination within the Government. Therefore, the ICCPL can be seen as 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.

6.3. Was programme lending the most appropriate instrument for achieving climate change policy results?

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

The "loan" aspect of the ICCPL has been mentioned at various stages of this evaluation, especially in pointing out 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 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 in policy processes that allowed for the attainment of results, such as the mainstreaming of climate change issues, in addition to the Policy Matrix actions that were completed.

Technical assistance 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 Indonesia's Public Administration. It can be advocated that the effectiveness of the technical assistance was enhanced by being part of more comprehensive support. However, when discussing the results, the question arises whether technical assistance (TA) could have been provided as separate support. The fact that the TA programmes are still ongoing, even after the end of the lending period, supports the hypothesis that the link with the comprehensive program is weak. The reverse proposition, that the ICCPL could have worked 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 for mainstreaming climate change policies, because it implies coordination among the various stakeholders, which is not the case with sectoral budget support or projects.

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

The amount of the ICCPL was not linked to 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 amount was sufficient for AFD and JICA to be considered by the GoI as significant partners in the field of climate change. It remains unclear if a lower amount could have attained the same result. One should remember that the amounts provided were actually small compared to the resources of the GoI, except during the global financial crisis when it was difficult for the GoI to borrow from the markets.

However, if we take into consideration the CCPL made to Vietnam by AFD and JICA, we notice that similar results[41] could have perhaps been obtained with a lower amount of funding (this is however debatable, because the context is different).

6.5. Should the ICCPL be replicated in other countries, and under what conditions?

Since the ICCPL has already been replicated, namely in Vietnam, the question seems pointless, until comparative evaluations can allow us to draw general conclusions. An obvious problem for ICCPLs is the difficulty of borrowing to fund climate change policies, since the Government will surely be criticized for doing so in spite of the international commitments made by the Non-Annex 1 Countries.

If a Government is willing to borrow for climate change, donors should be ready to provide such support, depending on the Government's degree of commitment and its capacity to implement such a strategy. Donors should check for:[42]

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

41 The CCPL Vietnam had not yet been evaluated, so our understanding of its results is based on interviews.

42 More details are to be found in this report's recommendation section.

In addition, to make the ICCPL package more attractive to Governments that are not willing to borrow for climate change, a disconnection between climate change policies and the loan should be considered. For this to be acceptable, attention should be paid to the concessionality of the loans (see recommendations below).

6.6. Synthesis of the results

As shown in the preceding chapters, the influence of the ICCPL on induced outputs is easy to trace and positive, namely the mainstreaming of climate change policies within the Government. This can be depicted as the main achievement of the ICCPL. In this sense, the ICCPL may succeed in speeding up the implementation of policies, but at a pace that remains slow. The failure to have any immediate impact on energy subsidies illustrates this point. But even other achievements, like the setting of prices for renewable energy, have not yet resulted in a fully satisfactory incentive framework, one that can attract foreign investors, even if significant progress has been recorded.

The following table summarizes the ICCPL's contribution to expected outcomes and results in the main sectors of focus. Contributions are rated according to a five-level scale (Absent, Absent to Moderate, Moderate, Moderate to Strong, and Strong). The ratings are based on i) what the expected outcome might have been had no ICCPL been provided; and ii) the agreed objectives as they were identified in the Policy Matrix.

Table 15. Summary table retracing the link between the inputs and the expected outcomes and impacts of the ICCPL

GoI's achievements	CCPL contribution
Macroeconomic stability	• The ICCPL helped to "finance the gap" when the credit markets were under pressure. ABSENT TO MODERATE CONTRIBUTION because the ICCPL did not have the clear and direct objective of macro stability, and it had almost no impact on it.
	Cross-cutting issues
Mainstreaming of climate change issues	• By supporting and facilitating the design and implementation of climate change action plans, such as the RAN-GRK, the ICCPL assisted the GoI in the mainstreaming of climate change issues. • The ICCPL created a forum for dialogue that helped to develop and monitor the mainstreaming of climate change issues as part of national development planning and the GoI's agenda. • The technical assistance provided enhanced coordination and communication among ministries to fast-track cross-cutting issues. STRONG DIRECT CONTRIBUTION.

...

GoI's achievements	CCPL contribution
Cross-cutting issues	
Public Finance Management	• The ICCPL supported the integration of climate change issues into the overall Performance-Based Budgeting framework. • The ICCPL helped to identify climate-change-related public expenditure. MODERATE CONTRIBUTION to the improvement in PFM.
Mitigation	
Forest sector – Improvement of forest management and governance, peatland management, REDD+	• The ICCPL promoted the preparation of REDD+ policies and the issuance of regulations relative to Forest Management Units (FMUs). • Along with the technical assistance, model FMUs were established and progress was made on the national strategy of REDD+ and preparation of a peatland hydrological unit map. 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 within the forestry sector. Also, the presence of numerous Donors in this sector lowers ICCPL's incremental contribution.
Energy sector – renewable energy development, energy savings/ efficiency, energy price reform	• The ICCPL pushed forward regulations regarding the geothermal energy price, tax incentives, energy subsidies and energy savings. • It also helped in the issuance of regulations on energy conservation and in implementing a national system of energy audits. MODERATE TO STRONG CONTRIBUTION because this sector still faces many obstacles due to the absence of general regulations on energy and due to the PLN's monopoly.
Transportation sector – transportation policies, improve modal shifting and traffic management	• The ICCPL has supported the regulation of traffic management and engineering, as well as the creation of a transportation master plan. MODERATE CONTRIBUTION since the objectives were not attained in time, and the regulations left out some important elements (for example, a road-pricing levy).
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	• The ICCPL helped to improve the institutional and regulatory framework for climate forecasting and impact and vulnerability assessment. • The policy dialogue and the technical assistance provided helped to strengthen the institutional and regulatory framework, to improve the resilience of farm production, and to manage coastal zones and small islands. • The technical assistance linked with ICCPL funding contributed to improving water resources management. MODERATE TO STRONG CONTRIBUTION because the ICCPL indeed contributed to a stronger institutional and regulatory framework in the targeted sectors, but with significant support from the line ministries.

Source: Authors.

By providing a space for discussing climate change, thus facilitating and strengthening communication within the Government, the ICCPL made a strong contribution to mainstreaming climate change issues. The ICCP's contribution, however, was less in regard to the international visibility of the GoI's policy on climate change, mainly due to the ambiguity resulting from Indonesia's status as a Non-Annex I Country and the type of 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-related activities, the ICCPL played a significant role, especially in the implementation of Forestry Management Units (FMUs). But its contribution in the other sub-sectors must be judged carefully given the institutional problems of the sectors (bad governance, lack of transparency, etc.) and the considerable amount of grants and technical assistance provided by other Donors.

Concerning the energy sector, the ICCPL had a strong impact mainly by urging the adoption of some of the scheduled measures regarding energy efficiency, but its overall influence was limited by the negative reactions of the Indonesian Parliament to the eventual suppression of energy subsidies, which was largely promoted by the Donors. For 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 sectors concerned was mainly through the strengthening of institutions involved in the fight against climate change 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 Public Finance Management (PFM), resulting in a better identification of climate change expenditure, but its impact on macro-stability is considerably less due to the marginal role played by the ICCPL and to an economic context characterized by high inequality.

The provision of technical assistance contributed to improving the implementation of policy indicators within Indonesian's institutional settings by raising capacity at the central and local level.

Among the most revealing evidence that the ICCPL's inputs had a significant and sustainable impact on the mainstreaming of climate change issues is the meeting of the Technical Committee and of the Steering Committee in 2012, after the end of the ICCPL. This shows the GoI's commitment to continuing its efforts toward 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 mechanisms.

We should not forget that these results could also be driven by factors other than the ICCPL inputs (or even the GoI's policies). Table 16 draws on Table 15 and provides a synthesized view; the final column serves as a reminder that results can be influenced by other factors (historical factors, policies, the international environment, other external support, etc.).

Table 16. Synthesis table

Level of the ICCPL's contribution to	→ GoI policies contributing to	→ Development results	← Other contributing historical and/or policy factors
Strong	Climate change mainstreaming	Better awareness of climate change 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 climate change policy	Symbolization effect, but message undermined by the GoI's commitment to Non-Annex I decisions	Ministry of Environment International negotiations, peer pressure; International and National NGOs
Moderate to strong	Energy (increased use of renewable energy)	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 worsening traffic congestion	Low administrative capacity; Low incentives, resulting in a limited impact target
Absent to moderate	Macro stability	Growth, but with increased inequality	Post 97 adjustment
Moderate	Public Finance Management (PFM)	Better identification of climate change expenditure; transparency	PFM reform; results-based budgeting
Moderate to strong	Adaptation	Stronger institutional and regulatory framework in the targeted sectors	Support from the line ministries

*Ratings scale: Absent/Moderate/Moderate-to-Strong/Strong/Very Strong.

Source: Authors.

By this point in 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 budget support 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 did not include 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 climate change policies' final impact in Indonesia.

7. Key Conclusions and recommendations

7.1. Key conclusions

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

The monitoring and reporting under the ICCPL allowed for better identification of the challenges and obstacles to climate change policies in the relevant sectors of forestry, energy, transportation, as well as in the area of adaptation, and thus it set the stage for relevant solutions to be proposed.

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

- Improvement in 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 climate change policies in the relevant sectors of forestry, energy, transportation, as well as adaptation;
- Introduction of remedial actions addressing the challenges identified, as well as the formulation of further project assistance based on the monitoring of results and policy dialogue.

The policy dialogue between the GoI and the Donors is a tool for revealing the preferences of the Government and of society at large, but also for identifying the constraints. This allows for further support to be better designed.

Nevertheless, the mainstreaming of climate change 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 gathering and indicators, as it was pointed out during the interviews. The ICCPL could not play a major role in this context: it was difficult for the GoI to reference the ICCPL because of the Non-Annex 1 Countries' position not to borrow for climate change policies. Upstream strategies, including RAN/RAD-GRK and RAN-API, could be further improved with more detailed action plans based on refined scenarios for mitigation/adaptation and by an enhancement of the GHG Inventory systems.

The outcomes and impacts of the climate change 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, overall, GHG emissions continued to increase, but there is no data allowing us to make a judgement regarding their evolution relative to the BaU (Business as Usual) scenario. Furthermore, we also note that the GoI did not succeed in eliminating electricity subsidies immediately, but progress was made with regards to the ICCPL target, namely the finalization of the roadmap for subsidy reduction.

The ICCPL was based on expressed demand for foreign financing in the context of a financial crisis. However, with time, the need for financing decreased (as did the interest paid by the GoI on new borrowing), rendering the external loan dispensable. At the same time, a debate regarding the low level of budgetary disbursements arose, giving rise to the question of why resort to foreign borrowing when national resources were being underused?

The fact that the GoI did not want to continue the ICCPL as expected is 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 participate (JICA, AFD, then WB and finally ADB). This raises the question of how a CCPL should be managed, taking into consideration the evolving context, such as decreases in interest rates, the availability of foreign financing, the presence (or absence) of pressure exerted by international negotiations on climate change, the degree of influence of high-ranking Government officials opposed to the ICCPL, etc.

7.2. Lessons and recommendations for the design and implementation of climate change Budget Support

Lessons learned for effective climate change Budget Support

One of the crucial prerequisites for effective climate change Budget Support is the creation of a common institutional framework for the ministries and the 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 the coordination between the ministries and the Donors, since this allowed for increased awareness regarding climate change issues at a higher level and also served 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 framework logic, an assessment should be made about the main constraints faced by the Government of the benefiting country. In some cases, the main constraint may not be financial, but about the effectiveness of the implementation process, for example. Providing money allows for the lifting of the financial constraint. Problems such as those in the 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 the political decision-making. For these reasons, providing technical assistance (jointly with budget support) is a relevant way to improve the effectiveness of monetary support. Of course, money allows the country benefiting from budget support to pay for consultants. Nonetheless, involvement by the Donors in providing technical assistance may allow for more effective inclusion of this technical assistance 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 technical assistance multi-year. This non-alignment may be difficult to manage because in some cases Donors may want to be able to delink these two components. In the case of JICA as well as AFD, the technical assistance programs are still running even after the ICCPL has ended. According to AFD, the discrepancy in timeframe between these two kinds of inputs could hamper consistency in the monitoring process.

Some of the people interviewed during the evaluation shared the view that the technical assistance (TA) was what attracted line ministries to the negotiation table. It turned out that this was not entirely true, since most Donors present in Indonesia provide significant amounts

of TA and one could say that the offers exceed the demand. A more significant role played by the TA was that of coordination and the identification of bottlenecks through the monitoring process. Indeed, the Government of Indonesia (GoI) did benefit from having a comprehensive view of what is being accomplished through TA in specific sectors.

To be effective, technical assistance (TA) has to be in line with the Government's requests. TA may also be counter-productive if the added value is not clearly perceived by the national officials in charge of the sector.

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

The policy dialogue surrounding monitoring is a key for success. It should focus on major issues for climate change and be based on a small set of relevant indicators (see recommendations below). For more effective mainstreaming of climate change issues, the dialogue should be really open and inclusive. Key issues, like energy subsidies, should be part of the issues debated, including temporary financial compensation for those most affected by lower subsidies. Monitoring provides a basis for political dialogue and helps bring to light challenges. For this reason, the monitoring process should not focus too much on collecting data for a long list of indicators. Monitoring should also act as an early-warning system, bringing forward the most important issues.

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

Another issue is Donor behavior in case of significant deviation from the official climate change policy (for instance, huge deforestation programs linked to widespread corruption, GoI deciding to invest in GHG-emitting power generation systems, etc.). In this case, we think Donors should be ready to implement an exit strategy. Otherwise, both their credibility and their reputation are at risk. In the case of general budget support, similar issues arise when a government uses violence against the population, etc.

Nevertheless, since the minutes of the Steering Committee have not been made public, some of the potential of the ICCPL to increase awareness has been wasted.

The main achievement of the ICCPL is the mainstreaming of climate change issues and policies. To make this truly 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. Meaningful incentive can be provided through higher budget appropriations, or with Donor support, additional technical assistance or projects.

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

The existence of a clear and publicly endorsed Government commitment to fighting climate change is crucial for the implementation of a program such as the ICCPL and for the sustainability of its effects.

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

Recommendations

a) Prerequisites.

Before granting a CCPL-like program, Donors should check:

1. The existence of a formal and informal commitment to fighting climate change, and consistency of these commitments with the global development strategy of the Government. Donors could take into consideration the Government's position and 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 determine to what extent this strategy is a general consensus (to avoid problems in case of a change in the political majority). This would allow for identification of trends in climate-change-related decision-making and implementation in order to assess whether any changes that may occur are due to the CCPL or to pre-existing political will.

2. The existing degree of mainstreaming of the climate change 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 Business as Usual (BaU) scenario and to the quality of the marginal abatement cost curve.

4. A clear and shared framework logic should be discussed before beginning the implementation of the ICCPL. This framework should include the evaluation questions to be used in the final assessment.

In the case of the Indonesian CCPL, points 1 and 2 above 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 climate change were pointed out during the implementation and evaluation of the ICCPL. Finally, point 4 material has been missing and this caused the problems we faced in assessing the ICCPL. Data quality, measurement and so on, would have been much more precise if evaluation had been done along the classical OECD lines, taking into account the final impact of the policies.

b) Policy dialogue

Policy dialogue requires careful design to enable discussions on the relevant agenda among the relevant participants. Coordination among the development partners involved in climate change 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.

c) Focus

The focus on specific sectors should be based on 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 acknowledged expertise.

d) Time frame

The annual nature of the ICCPL made 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 climate change is a long-term process. For this reason, a participatory long-term strategy should be worked out from the beginning, in order to put the yearly programs into perspective. Multi-year programs would also allow for targeting additional benefits such as technical assistance to those line ministries that are the most proactive. For example, it would allow for program disbursement and the national budget calendar to be aligned.

To prevent conflict between long-term visions and short-term actions, it would be beneficial to develop partnerships that could be sustained over time. The risk of a sudden stop in the programme or non-disbursement is likely to be mainly due to events like unsatisfactory

indicator results, institutional difficulties (political change, lack of leadership) or instrumental difficulties (failure to implement technical assistance), or lack of attractive financing options. A switch from an annual loan to a long-term partnership should consider exit strategies based on these risks.

e) Relations among local institutions

A budget support program is likely to modify the balance of power among ministries and other Governmental bodies. Therefore, an *ex ante* analysis of the expected institutional effects of the program should be carried out, taking into consideration all inputs (money, technical assistance, the institutional framework being considered for budget support monitoring). It should be assessed whether the new incentive framework is likely to facilitate inter-ministerial cooperation in order to attain the targets of the program.

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.

f) Involvement of all stakeholders

Since climate change is a major issue for the society as a whole, one should try to involve all stakeholders, not only the public administration.[43] 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 through a participative evaluation framework.[45]

g) Incentives

The ICCPL has no built-in incentive framework the Government can use to speed up implementation of climate change policy. There are no explicit triggers, which risks making the policy dialogue formal – even if review of the indicators plays in some sense the role of a trigger. A possibility would be to have a loan at market price, but with the possibility of getting

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 the administrative burden of coordinating, preparing and organizing such a large-scale meeting. This may require substantial donor support, both technical and financial, which could take the form of projects.

45 Hein (2013) notes that a climate change 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 grant to offset 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, with 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 technical assistance.

h) Indicators

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

The idea is not to monitor activities closely, but to focus on outcomes and on the influence chain that produced those outcomes. The targets/indicators should come with clearly defined methods and verification measures. These indicators should be SMART: **S**pecifically purposed for climate change policy; **M**easurable – the information-production process should be clearly identified from the beginning; the defined norms have to be **A**chievable; the improvement in an indicator has to be **R**elevant to the success of the policy; and it must be **T**ime-phased, which means the value of the outcomes apply to a predefined and relevant period.

The above recommendation would be even more relevant in the event that the CCPL were to consider the final impacts of the policies being influenced.

i) Tools

Considering all tools available is important because budget support is just one possibility. It could be considered among a set of interventions, such as projects, technical assistance, capacity building, etc. We can consider budget support as the most appropriate tool in the first phase, when 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.

j) Reputation risks

A CCPL entails reputation risk for donors, because of unexpected developments. Assume, for instance, that the targets set by the CCPL policy matrix are met, but at the same time massive deforestation takes place, or investment in highly polluting power generation (in standard general budget support, a similar risk is an increase in corruption). This would be difficult to manage, and potentially detrimental to the image of the donors. For this reason, it could be useful to consider incorporating into the policy matrix something like "negative pledge clauses" or "negative triggers", meaning that in certain pre-set cases the disbursements would stop. Of course, these "negative pledge clauses" should not be managed in a rigid manner, but implemented only after thorough dialogue.

7.3. Methodological issues: assessing CCPLs using the 3-step approach

Ideally, assessment of development-support activity should allow for establishing a link between the inputs provided by the Donors and the outputs, the results and impacts accruing to the benefitting country. As in *ex ante* evaluations, this 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 impacts are reached indirectly, through implementation of the public policy of the benefitting country. For this reason, one has to rely on a "second-best" approach like the OECD/DAC 3-step methodology, which cannot be seen as a magic bullet.

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

The 3-step approach makes it possible to go beyond this narrow framework to assess: i) to what extent the inputs provided by budget support have been useful toward 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 any 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 third step of the 3-step process is likely to be less effective as applied to a CCPL than an assessment of standard budget support.

Step 1 was typically elusive in the case of the ICCPL because the Government of Indonesia (GoI) could (most of the time) finance the same climate change policy with other financing sources. This is because the GoI has access to the international financial markets (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 climate change (which is the assumption behind the granting of 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 technical assistance, which is much more difficult to asses, since establishing the chain of influence for this usually depends very much on interviews, and hence entails some subjectivity. Nevertheless, budget support also plays a non-financial role, and that is "signaling". Foreign support for reforms may be important for the GoI to show that its policy has large international support. Moreover, BAPPENAS (and to some extent the Ministry of Finance) could call upon foreign pressure (the policy matrix, triggers) to exert some pressure on the line ministries and local governments in order to overcome opposition or procrastination. In the case of the Indonesian CCPL, this was difficult because of the commitment of the GoI not to borrow for climate change purposes.

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

Step 3 also poses problems in the case of a CCPL. The outcomes and impacts on climate change are related with the policies of the GoI, but also with other historical factors and international spillovers (this is why climate change can be described as a Global Public Good). Disentangling what is due to policies and interventions of the GoI and other factors is not easy. Even if a positive influence link is established – which is likely to be the most common case – it remains difficult to qualify the connection: Is the link strong, medium or weak? This entails some subjectivity because hard evidence is lacking. Even 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 had the CCPL not been provided? This counterfactual is not easy to ignore when a country can use its own resources for financing the activities undertaken, when ownership is strong, and when climate change policy is granted a high priority by the Government.

To sum up, in our view the Central Evaluation Framework (CEF) and the 3-step 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 based 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.

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 Geospatial)*
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	Centre 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
CO_2	Carbon Dioxide
CO_2eq	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 Product

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	Indonesian 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 Country
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 Greenhouse Gas Emissions Reduction
RAN-API	National Action Plan of Climate Adaptation
RAN-GRK	National Action Plan on Greenhouse 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
REFF-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 (for Coal Power Plant)
SC	Steering Committee (of ICCPL)
SIGN	National Greenhouse Gas Inventory System
SIIAM	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 Resources 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 (Geothermal) *(Wilayah Kerja Pertambangan)*
WS	River Basin *(Wilayah Sungai)*

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Appendix

The appendices are available on AFD's evaluation website:
http://PublicationsEvaluation.afd.fr

▷ **Joint Evaluation**

Indonesia Climate Change Programme Loan (ICCPL)

Agence Française de Développement (AFD) / Japan International Cooperation Agency (JICA)

In close partnership in 2008, 2009 and 2010, JICA and AFD approved a series of "climate" budget loans to the Indonesian Government in order to facilitate the design and implementation of an ambitious national policy to combat climate change (CC), supported by a high-level policy dialogue. This *ex post* evaluation was coordinated by the AFD and JICA evaluation departments and was jointly managed, from the composition of the terms of reference, the recruitment of the consulting team, the discussion and validation of the evaluation methodology to the validation of the final report.

This exercise was triply innovative: in its purpose – the CCPL, pioneer of a new type of financing to combat climate change, in its partnership approach – first joint evaluation with JICA, and in its method – inspired (in adapting it to climate loans) by the methodological approach for evaluating budget support promoted by the Development Assistance Committee of the OECD. It involves a three-stage approach: i) evaluation of the intervention logic of the loan; ii) evaluation of the results of the Government's strategy in the domain of climate change; iii) scrutiny of the causal links between the loans approved and the results of the Government's strategy.

The evaluation strives to assess the relevance of the support provided by AFD and JICA, and to what degree this series of loans has allowed Indonesia to effectively develop and implement a strategy meeting the challenges of climate change. The evaluation concerned the totality of inputs provided by both Donors: the financial loan, the technical assistance to implement the matrix of policies, and the framework offered for a policy dialogue

The present report concerns the conclusions of this exercise and proposes recommendations for the future.

Authors:
Marc RAFFINOT, *Associate Professor, Paris Dauphine University, UMR LEDa-DIAL*
Anda DAVID, *Economist, Paris Dauphine University, UMR LEDa-DIAL*
Masumi SHIMAMURA, *Chief Policy Analyst, Mitsubishi UFJ Research and Consulting*

Coordination:
Constance CORBIER-BARTHAUX, Evaluation Unit, AFD
Reiko KAWAMURA, Evaluation Departement, JICA