



# EVALUATION REPORT

FOR EVALUATION SERVICES IN SUPPORT OF  
THE INDONESIA GREEN PROSPERITY GRANT  
FACILITY

Submitted: June 11, 2018

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PROSPERITY GRANT FACILITY

**Submitted: June 11, 2018**

***Submitted to:***

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## ABBREVIATIONS

ADB	Asian Development Bank
BIOCLIME	Biodiversity and Climate Change
BPN	Badan Pertanahan Nasional
BRG	Badan Restorasi Gambut
CBA	Cost Benefit Analysis
CBNRM	Community-based Natural Resources Management
CEA	Cost-effectiveness Analysis
CED	Compact End Date
CFP	Call for Proposals
CIF	Climate Investment Fund
CP	Condition Precedent
CPI	Climate Policy Initiative
CS	Consumer Surplus
CSR	Corporate Social Responsibility
CTF	Clean Technology Fund
DPSD	Dedicated Private Sector Programs
EIF	Entry-into-force
ERR	Economic Rate of Return
ES	Environmental Services
ESP	Environmental and Social Protection
FAO	Food and Agriculture Organization
FCPF	Forest Carbon Partnership Facility
FDG	Focus Group Discussion
FIP	Forest Investment Program
GAST	Grant Administration Support Team
GHG	Greenhouse Gases
GK	Green Knowledge
GMT	Grant Management Team
GoI	Government of Indonesia
GP	Green Prosperity
GPF	Green Prosperity Facility
GPM	Grant Program Manager
ICCTF	Indonesia Climate Change Trust Fund



ICF	International Climate Fund
IEA	Implementing Entity Agreement
ILO	International Labour Organization
ISH	Independent Smallholder
ISPO	Indonesia Sustainable Palm Oil System
ITT	Indicator Tracking Table
KII	Key Informant Interview
LLA	Landscape-Lifescape Analysis
LULUCF	Land Use, Land-use Change and Forestry
M&E	Monitoring and Evaluation
MEMR	Ministry of Energy and Mineral Resources
MCA-I	Millennium Challenge Account Indonesia
MCC	Millennium Challenge Corporation
MDB	Multilateral Development Bank
MOU	Memorandum of Understanding
NAMA	Nationally Appropriate Mitigation Action
NCF	National Climate Fund
NICFI	Norway's International Climate and Forest Initiative
NORAD	Norwegian Agency for Development Cooperation
NRM	Natural Resources Management
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PAKLIM	Policy Advice for Environment and Climate Change
PLN	Perusahaan Listrik Negara
PLUP	Participatory Land Use Planning
PM	Procurement Modernization
PMAP	Participatory Mapping and Planning
PMC	Project Management Consultant
PMIS	Project Management Information System
PMK	Peraturan Menteri Keuangan
PPA	Power Purchase Agreement
RE	Renewable Energy
REDD	Reducing Emissions from Deforestation and Forest Degradation
SGIP	Social and Gender Integration Plan
SI	Social Impact

SPV	Special Purpose Vehicle
SREP	Scaling Up Renewable Energy Program
TAPP	Technical Assistance and Project Preparation
UNDP	United Nations Development Programme
UNFCCC	UN Framework Convention on Climate Change
WEE	Women Economic Empowerment
WRI	World Resources Institute

## EXECUTIVE SUMMARY

### OVERVIEW OF COMPACT AND THE INTERVENTIONS EVALUATED

In 2011, the Millennium Challenge Corporation (MCC) entered into a \$600 million, five-year Compact Agreement with the Republic of Indonesia, reflecting its focus on sustainable economic growth. The Compact's largest component, the \$332.5 million Green Prosperity (GP) Project, invests in Renewable Energy (RE) and Natural Resource Management (NRM) as part of the Indonesian government's national development strategies to reduce greenhouse gas emissions. Much of this investment occurs through the centerpiece Green Prosperity Facility (GPF), which provides grant financing to mobilize greater private sector investment and community participation in RE and sustainable land use practices. The GPF investments are intended to enhance sustainable economic growth and social conditions while also reducing Indonesia's carbon footprint.

The GPF portfolio of grants was fully awarded by July 2017,<sup>1</sup> each falling into one of five types of grants:

- Window 1 (Partnership Grants): These grants leverage private sector or other outside funding to promote increased investment in sustainable NRM, renewable energy, and improved land-use practices.
- Window 2 (Community-based Natural Resources Management [CBNRM]): These grants fund smaller-scale, community-based projects.
- Window 3 (RE): These grants fund community-based off-grid (3A) and commercial-scale on-grid (3B) renewable energy projects.
- Technical Assistance and Project Preparation (TAPP): These grants fund studies (environmental, social, feasibility) and technical assistance to enhance the quality of the projects in Windows 1 and 3 in order to reach the quality required for grant approval.
- Green Knowledge (GK): These grants build local, provincial, and national capacity to drive forward Indonesia's nationwide low-carbon development strategy within GP's context.

As implementation progressed, grants in Windows 1–3 were further organized into a range of portfolios, namely: Sustainable Agriculture, Peatland, Social Forestry, Women's Economic Empowerment (WEE), Community/Off-grid RE, Commercial/On-grid RE, Cocoa, and Eco-tourism. The grants awarded under the GPF are implemented across 14 provinces in Indonesia.<sup>2</sup>

### EVALUATION TYPE, QUESTIONS, AND METHODOLOGY

The GPF evaluation is an ex-post performance evaluation, conducted in two parts. First, SI assessed implementation fidelity through a process study (Evaluation Question 1) to explore how and why the original design of the Facility changed. SI answered the remaining evaluation questions through qualitative interviews, an online survey, and review of administrative data, with both "Facility-level" findings and "Portfolio-level" findings, wherever it is reasonable to make such a distinction. This process and performance evaluation will serve two primary purposes:

- To inform the design of future grant facilities (by MCC) and/or trust fund facilities (by the Indonesian government), based on GPF learnings; and

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<sup>1</sup> Some grants were terminated between July 2017 and the end of the Compact.

<sup>2</sup> If GK grants are excluded, implementation occurred in 11 provinces.

- To provide accountability surrounding changes and adaptations made throughout the course of the GPF to a variety of MCC, Millennium Challenge Account Indonesia (MCA-I), and partner organization stakeholders.

The evaluation questions are as follows:

1. How and why did the design of the GPF evolve over time? Did the Participatory Land-use Planning (PLUP) activity feed into the work of the GPF? To what extent did Green Knowledge (GK) contribute to the GPF?
2. Is the GPF an effective model to achieve the objectives and/or delivery of grant funding? Why or why not? Which aspects of the GPF were particularly beneficial or detrimental to the achievement of the GP Project objectives? Did the GPF approach result in a set of grants that aligned with the GP objectives?
3. What key results did the GPF have with respect to processes, policy, or sustainability? Were the approved grants higher quality than they may have been through other processes? Did the Facility catalyze government policy changes, lay groundwork for future investment, or leverage private sector funds using a new approach? Are there indications that investments will continue to have enduring benefits after the lifetime of the Compact?
4. Was the GPF cost effective? How much did it cost to implement the GPF? What did the Facility achieve in terms of grants awarded and outputs or outcomes? Are the benefit streams modelled in the cost-benefit analyses for the grants appropriate and/or realistic?
5. What were the key successes, challenges, and lessons learned with respect to operationalizing the GPF at each stage of work?

To answer these questions, the evaluation team leveraged a mixed-methods design using document review, 82 key informant interviews, focus group discussions with 21 individuals, and an online survey with 92 responses. The team met with grantees, MCA-I staff, MCC staff, project management contractors for GP, Government of Indonesia (GoI) representatives, and selected donors that also run facility projects in Indonesia. The team traveled to Jakarta, Yogyakarta, Bogor, Bali, Pontianak, Lombok, Jambi, Mamuju, and Makassar, as most implementers are based in these sites, allowing the team to reach a large number of grant implementers with the resources available.

The quantitative analysis was largely descriptive and comparative in nature. All qualitative data was entered into Dedoose and coded by themes related to the evaluation questions. The team also examined the ERR and feasibility studies to assess whether the items included in the benefit streams were appropriate and realistic.

Though the team was able to address all questions, there were some limitations to data collection. First, because many of the grants were awarded within 18 months prior to data collection, it was not possible for the team to measure long-term (or even short-term) outcomes. As such, the team could only comment on grantees' perceived contributions to GP objectives. Second, the team was unable to identify suitable comparison facilities to the GP Facility that had sufficient available data (particularly related to cost) and was therefore unable to draw reliable comparisons related to effectiveness, cost-effectiveness, or efficiency.

At the Portfolio level, SI collected qualitative data from 40 of the 83 (48%) non-TAPP grants. All grantees were included in the sample for the online survey. Because of the small number of selected grants in some of the portfolios for qualitative data collection (particularly Window 2 grants), it is not possible to generalize the findings beyond the grantees interviewed to be representative of the entire portfolio in the country, though the team will note areas of similarity or difference across portfolios.

## IMPLEMENTATION SUMMARY

Originally, the GPF was intended to provide grants for small-scale RE technology or improved NRM, as well as loans for large-scale RE financing. However, this approach encountered legal issues, prompting a shift to a grants-only model. Additionally, the vision for the grant portfolio shifted significantly as the GPF design evolved. Originally, the GPF intended to partake in five to eight grant partnerships with a GPF contribution of \$5–10 million each over the life of the Compact, in addition to having a small grants program to support community development programs to enhance the outcomes of the larger grants.<sup>3</sup> As the design evolved and MCA-I became more familiar with the requirements and steps involved in grantmaking, the GPF began channeling grants through windows. The windows, which were established in the Operations Manual prior to grantmaking, indicate the differing responsibilities of grantees. Table 1 below describes the window structure:

**TABLE 1: GRANT WINDOWS**

Window	Grantee Responsibilities <sup>4</sup>
Window 1: Partnership	Projects must leverage private sector or other outside funding to promote increased investment in RE, NRM, and improved land use practices in targeted landscapes or value chains. MCA-I provided a 1:1 match of leveraged funds, and the grant partner must provide a minimum \$1 million of its own funds.
Window 2: CBNRM	Projects may receive up to \$1 million in grant funding for NRM projects that are aligned with GPF outcomes, without requirements for co-funding. This window primarily targeted local NGOs, cooperatives, community groups, or other legally-constituted organizations.
Window 3a : Community-based Off-grid RE	Projects must be public-private partnerships, characterized by partial community ownership, management, and maintenance. The applicants were required to delineate the proposed structure, management, and operation of the Special Purpose Vehicle (SPV) that will own the project.
Window 3b: Commercial On-grid RE	The projects were required to apportion a percentage profit share toward Corporate Social Responsibility (CSR) and/or Environmental Services (ES) activities. All projects needed a power purchase agreement (PPA) with <i>Perusahaan Listrik Negara</i> (PLN) to proceed.

All proposals received were screened against a set of eligibility criteria (e.g., legal registration in Indonesia, ability to meet co-funding requirements, and a proven track record in implementing similar projects), and those that passed were then assessed by a Technical Appraisal Panel (TAP). The TAP evaluated proposals against a predetermined set of investment appraisal criteria. These criteria focused on alignment with the GP objectives of reducing GHG emissions and increasing incomes, required that projects show economic rates of return above established hurdle rates, and incorporated MCC policies on environmental, social, and gender issues. Figure 1 below marks key milestones for GP in terms of grants awarded and grant administration.

As the GPF shifted to implementation, the structure of the team shifted as well. MCA-I brought on a Project Management Consultant (PMC) in September 2014 to provide program management support for Facility operations and grant administration services for Windows 1 and 3, as well as GK.

<sup>3</sup> Aide Memoire: Indonesia Compact Implementation Green Prosperity Project, 2013, pg. 14.

<sup>4</sup> Operations Manual, June 2014.

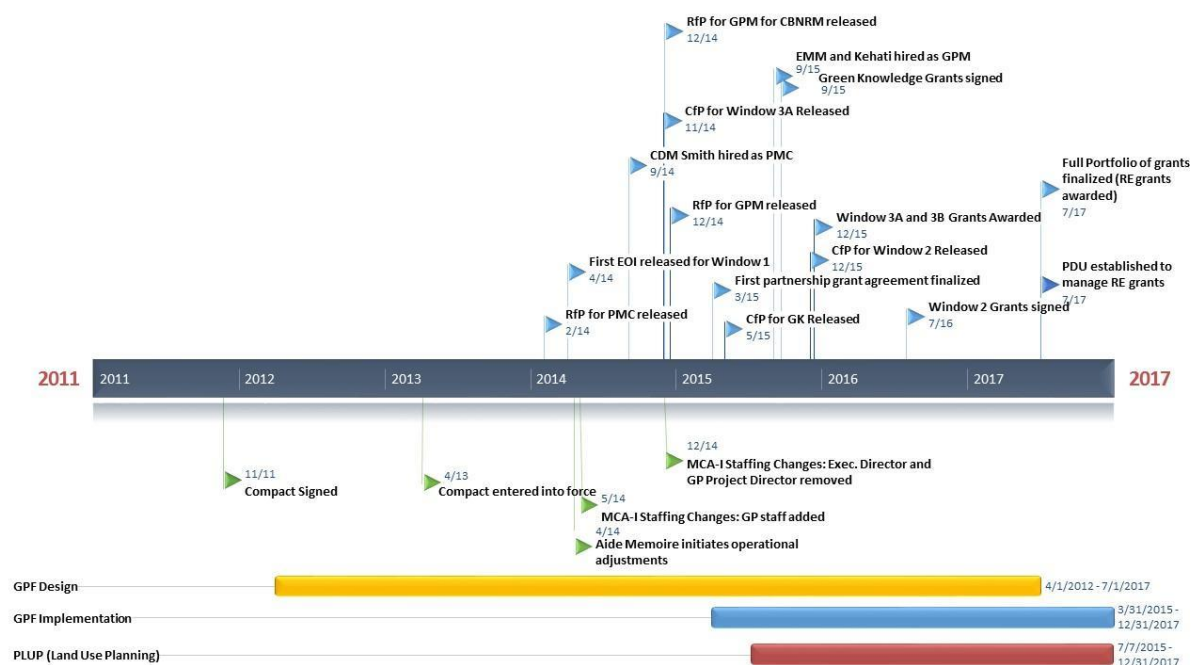
EuroConsult Mott McDonald (EMM) and Kehati act as the Grant Program Managers (GPM) and began managing the Window 2 grants shortly after, from October 2014 onward. The first project grant was signed in April 2015, and the last in July 2017. As grants moved into the construction phase in 2017, MCA-I also leveraged Technical Oversight and Project Execution (TOPE) consultants. In July 2017, the Project Delivery Unit (PDU) was established to manage a subset of the RE portfolio, prompting a reorganization of GP portfolio management. MCC hired TetraTech to support project implementation oversight for the RE portfolio in 2017, and an MCC team of consultants provides oversight for the remaining windows and GK.

## FINDINGS

### *Evolution of Design, PLUP, and GK*

In speaking with MCC and MCA-I staff, there is widespread consensus that the design continued well into implementation, summed up with the phrase “building the airplane while flying it.” So, even though all calls for proposals (CFPs) were released by December 2015, the design of the Facility itself continued to shift after grantees began implementing. MCC staff largely point to the lack of preparation at Compact signature (preparation continued into the first half of the Facility) as the primary reason for the seemingly never-ending design of the Facility. In the hurry to sign the Compact, and then later the rush to disburse funding, there was greater emphasis on getting CFPs released and awards made rather than on ensuring that the Facility was ready to finance projects and that appropriate policies and procedures were in place.

**FIGURE 1: GP TIMELINE**



The evaluation team identified several key changes to the design of the GPF, summarized in the table below:

**TABLE 2: CHANGES TO THE GPF DESIGN**

Design Change	Reason for Change
Shift from loan + grant model to grant-only model	Government Regulation PP20/2011 limits government entities from engaging in financial lending, and MCC leadership decided to shift to a grants-only model in April 2014 to not lose additional time exploring legal barriers to making loans.
Protracted development of Operations Manual	Respondents point largely to staffing issues as the main driver behind the long period of Manual development. The Operations Manual was not finalized until April 2014 and was a Conditions Precedent to release grant funding.
Organization by grant window	Early planning of the GP focused on 12, and then 18 districts in Indonesia, which was conducive to landscape-level planning. Due to practical issues, the organization of the GP shifted to a window-based focus. The grant windows indicate the differing responsibilities of grantees. The reason for the windows is disputed among respondents, though most characterize it as simply a way to keep the facility moving forward and push money into grants. The effect was a de-emphasis on geographies and therefore landscapes at the Facility level.
Organization by grant portfolios	The portfolios act as an informal classification for grants that emerged as the concept for Window 2 was developed. Window 2 had very broad eligibility criteria, and several different types of project proposals were submitted for consideration. MCA-I staff therefore developed portfolios as a way to group projects to allow for logical management.
Evolving network of project management contractors	The support team for MCA-I in grant administration and management includes a Project Management Consultant, two Grant Program Managers, a Grant Administration Support Team, a Grant Management Team, a Technical Oversight and Project Execution Team, and a Project Delivery Unit. When exploring the reasons behind the network of project management contractors that resulted from these changes, MCA-I and MCC staff point to the reactionary nature of the Facility and the lack of a fully developed design at Facility outset.
Concurrent implementation of PLUP and GPF	PLUP was intended to be a critical input to the design of the GPF and its investments. However, the PLUP contract did not begin until July 2015, after Window 1 and GK grants had already been awarded. For the Facility itself, though, this meant that the grant calls for proposals needed to be released without the intended spatial certainty in the PLUP districts. When asked whether PLUP had any impact on grantee activities, 93 percent stated that they had little knowledge of PLUP and/or did not get any benefit from PLUP.
Independent implementation of Green Knowledge	Green Knowledge was originally considered to be a core activity of GP, with one of its three objectives being to integrate learning and share products across grantee projects. Because GK grants were awarded before all windows (except Window 1), implementation of GK was effectively independent from implementation of other GP grants, with very little interaction with GP grantees through the windows.

Within MCA-I alone, respondents state that GK should be providing policy modeling and advocacy, developing policy briefs, sharing knowledge, establishing centers of excellence, and addressing the lack of vocational capacity. Overwhelmingly, respondents across MCC and MCA-I stated that GK was supposed to capture and track learning from GP. When reviewing the grant agreements for the seven GK grantees, though, this activity is relatively underrepresented, with only two of the successful GK proposals including mention of capturing knowledge from other GP projects. This minimal level of engagement with the wider group of GP grantees is evident in grantee responses to questions about GK. Of 36 survey respondents, half were familiar with GK, and the other half had heard of GK but did not know what it was. Of those familiar with GK, none of the grantees claimed that they had leveraged GK materials for their own project improvement; rather, they used the GK materials and resources as “window shopping” to see what other grantees were doing.



## *Effectiveness of the GPF Model and Key Results*

The team defines the GPF model as the mechanism(s) by which grant funding was delivered. The team assessed effectiveness of the model through the lens of (1) disbursements and (2) grant approval and completion rates. Of the \$253 million of planned funding, GPF disbursed 45 percent (as of February 2018), as shown in Table 3 below.

**TABLE 3: GRANT DISBURSEMENTS (AS OF FEBRUARY 2018)**

Window	No. Through CED	Committed	Best Case Disbursements <sup>5</sup>	Planned <sup>6</sup>	Target Achievement %
W1 Partnership Grants	6	\$40,058,606	\$30,260,000	\$78,000,000	38.8%
W2 NRM Community Grants	52	\$43,000,000	\$32,700,000	\$45,000,000	72.7%
W3A Off-grid Community RE	5	\$44,586,444	\$43,386,444	\$30,000,000	144.6%
W3B Commercial RE	4	\$7,947,508	\$7,947,508	\$100,000,000	7.9%
Total	67	\$135,592,558	\$114,293,952	\$253,000,000	45.2%

The team analyzed the CFPs for each window and determined that they were specific enough that eligible expressions of interest and proposals would align with GP objectives. Furthermore, the objectives are sufficiently broad that they encompass a wide range of grant activities. The basis on which points were graded for each criterion was not clear to the evaluators (e.g., the characteristics of a “5” versus a “10” score). Without a standardized measure of how each application would fare against these criteria, it is difficult to compare applications. However, these criteria, as assessed by the evaluation team and confirmed by respondents, are robust and, if followed, ensure that grant applications are well considered using a standardized assessment. The reasons cited by members of the Technical Appraisal Panel for grants not moving forward from one stage to the next were either that they did not meet the minimum qualifications or were not technically or financially sound.

Another measure of effectiveness beyond disbursement is grant approval and completion rates. Table 4 below illustrates the effectiveness of GPF in attracting and retaining projects until the full grant award was completed. GPF invited approximately 22 percent of Expression of Interest (EOI) applicants to submit a full proposal (Windows 1 and 2 and GK only). Similarly, of those accepted into the proposal phase, about a quarter received a signed Grant Agreement (excluding TAPP grants). Of those, 85 percent were expected to make it to completion at the time of report writing.

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<sup>5</sup> The team received this projection in February 2018; however, not all disbursements for the Facility had been completed yet, so this represents a “best case” scenario.

<sup>6</sup> GPF Presentation, “Green Prosperity: Grant Windows for Renewable Energy.” AHK Bioenergy Conference, and MCC, 11/17/2014. Does not include TAPP Grants.



**TABLE 4: GRANT AWARD ADVANCEMENT<sup>7</sup>**

Window	EOIs Submitted (a)	Moved to Proposal Phase	TAPP Grants Awarded (c)	Full Grants Awarded	Completed Grants	% proposals that received grants	Grant completion rate (d)
GK	165	15	0	7	6	47%	86%
W1	96	23	6	8	6	35%	75%
W2	321	90	0	53	51	59%	96%
W3A	N/A	95	21	6	5	6%	83%
W3B1&2	N/A	101	9	11	4	11%	36%
Total	582	324 (b)	36	85	72	26%	85%

(a) Window 3 grants did not have EOIs, just CFPs.

(b) This number is inclusive of Window 3 grants. When Window 3 grants are excluded, a total of 128, or 22%, of submitted EOIs were invited to complete a CFP.

(c) Not all TAPP grants progressed to full grants, and not all full grants in Windows 1 and 3 required a TAPP grant

(d) The completion rate looks at completed grants vs. full grants awarded, and is not inclusive of TAPP grants

Reflecting on the effectiveness of the application process, key informants indicated that there was a high volume of unqualified applications, leading to greater technical assistance through the application process than had been anticipated. Respondents from MCC and MCA-I said that the design was not aligned with the outcomes, but most other respondents argued that the idea and concept were good, and even that the design was good, but that the implementation was problematic for effectiveness.

Especially notable is the low acceptance rate among Window 3 grantees. Contractors that applied for grants but did not make it to completion point to three factors: (1) the exceptionally long time it took MCA or the PMU to respond, (2) the change in policy that moved from a two-step process to full grant to a three-step process, and (3) the quality of technical review by the PMC. Items 1 and 2 were echoed by grantees that had successfully completed their grants.

The data on proposal advancement and approvals suggest that the GPF was uncompromising in its standards even though there was considerable pressure to disburse funds and that they were discerning in advancing and approving applications. Initial grant proposals were generally characterized as of low quality, but with assistance from the GPF, the successful projects were assessed as of high quality by GPF and grantees alike (with the exception of Window 3b). Grantees, especially in Window 2, acknowledged that the quality of applications increased considerably through the GPF selection and revision process.

The GP targets were revised throughout implementation to adjust for operating realities and delays.<sup>8</sup> Even with these revisions, the GPF was generally below its process, output, and outcome targets laid out in the Monitoring and Evaluation (M&E) Plan. Some grantees, though, were optimistic that they

<sup>7</sup> Source: MCC.

<sup>8</sup> The targets presented in this report are the most recently revised targets for GP.

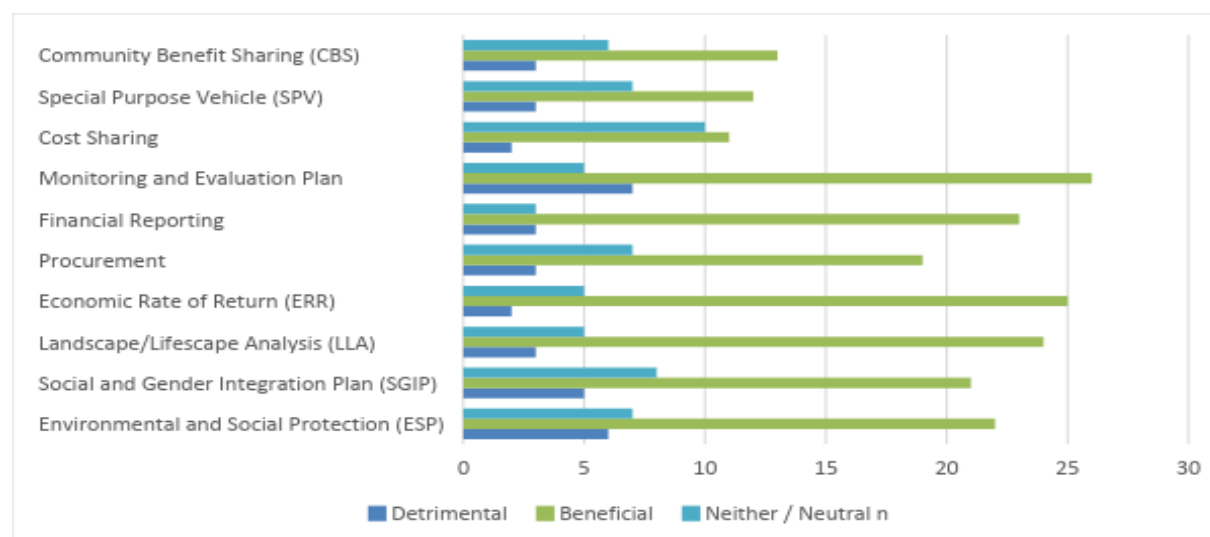
would be able to complete, or come close to completing, their targets by the end of their grant. Each individual grantee has an M&E plan, with their own indicators and targets as agreed upon award. However, some of the indicators in the grantee M&E plans contribute to the overall Facility M&E plan. Two grantees (one from Window 1 and another from Window 2) said that they were confident that they could achieve their results, and others were optimistic about their ability to implement most of their activities.

### *Beneficial and Detrimental Aspects*

Certain aspects of the model were found to be detrimental to the achievement of project objectives—particularly the fixed period of performance and the time needed to complete MCC requirements. The shortened timeframe available for implementation given the protracted design phase compounded those issues. That said, grantees considered MCC requirements (including the Landscape-Lifecycle analysis [LLA], social and gender integration plan, environmental and social protection, etc.) as largely beneficial. While there were several detrimental effects of these aspects, they were primarily found in inefficiencies of implementation rather than in the effectiveness of the model, which has more to do with design.

Figure 2 below shows grantee perceptions based on the online survey of the benefit (or detriment) of the various aspects of GPF. The GPF aspects evaluated were generally considered more beneficial than detrimental, with the exception of cost sharing, which was nearly rated equally detrimental and beneficial.

**FIGURE 2: BENEFICIAL AND DETRIMENTAL ASPECTS ACCORDING TO GRANTEE RESPONDENTS**



### *Policy Results*

The Facility and projects required several policy changes at local and national levels to advance activities. Among them was the ability of on-budget state funds to be granted to the private sector to enable co-financing. MCA-I and the GoI also worked together to establish *Peraturan Menteri Keuangan* (PMK) 124/PMK 05/2012, which a *Satuan Kerja* (SATKER) respondent acknowledged as a major policy achievement.

Although GPF has brought attention to the issue of RE, and some issues in terms of tariffs have been at least temporarily addressed, there is still a long way to go, as getting a Power Purchase agreement with PLN is still challenging, and policies on tariffs change regularly with the Ministry. In 2015 and 2016, the Ministry of Energy and Mineral Resources (MEMR) moved to increase the feed-in tariff for RE and bring more RE online. While MEMR was creating a favorable environment, PLN was not signing new PPAs. When the minister changed, new policies were instituted in early 2017 that radically changed the playing field for RE. While these changes should have negatively impacted only grid connect projects, there was feedback on political acceptance of off-grid tariffs as well. While key informants tried to have off-grid projects agree on their own tariff with local communities, local political authorities refused and restricted them to the same tariffs as those on grid.

Just over 45 percent (15 of 33) of respondents to the question in the online survey around policy change suggested that their project had influenced policy change. Many of these changes were made at local, ostensibly village, levels of government and often around reducing environmentally detrimental practices. Some respondents also recounted improvements at the local government level in terms of engaging women in decision making processes. These improvements were sometimes attributed in part to the Memoranda of Understanding (MOUs) developed with the districts for implementing the GPF.

#### *Alignment with GP Objectives*

For the purposes of this evaluation, the team assessed alignment with the three highest-level outcomes stated in the GP logical framework:

1. Reduced reliance on fossil fuel,
2. Improved sustainability of landscape through reduced deforestation and improved land conservation, and
3. Increased economic productivity through use of electricity or land.

To answer this evaluation question, SI observed both the selection process and causal pathways (the “GPF approach”) and the perceived contribution of grantee activities to the GP objectives (“alignment”). The team could only assess perceived contribution because it was not within the scope of this evaluation to observe grantee activities or validate whether grantees were meeting objectives that they had laid out in their applications.

The evaluation team reviewed the stated objectives in each of the grant agreements to determine whether grantees’ objectives were aligned with GP objectives. This analysis of approved grant agreements confirmed alignment with GP objectives. As shown in Table 5 below, all grants aligned with one or more GP objectives in their design.

Several interviews indicated that the grants awarded were aligned to GP objectives and that GP objectives were aligned with GoI priorities. This alignment was enforced, in part, by the implementation of Environmental and Social Protection (ESP), according to an MCC respondent. Another aspect of the GPF that ensured grants were aligned with GP objectives was the requirement that grants align with local government priorities, which were also, under the MOU, aligned with GP objectives. Several grantees commented that their grants aligned with government objectives, referring to conservation, agricultural, and renewable energy activities. Due to the broad outcomes of GP, it would be difficult for projects, after the selection process that was undertaken, to not align. Any project that deals in reducing fossil fuel emissions or poverty or increasing productivity could

be argued to be aligned. Under these broad categories, the evaluators conclude that all projects reviewed aligned with GPF outcomes as detailed in the logical framework. Aspects such as the ESP and LLA ensured that any projects that were not aligned with these objectives would be screened out or that grant proposals would have been strengthened to improve their alignment.

**TABLE 5: GRANT ALIGNMENT WITH GP OBJECTIVES**

Window	Outcome 1: Fossil Fuels	Outcome 2: Sustainability	Outcome 3: Productivity
1	0	2	2
2	23	56	58
3A	5	1	3
3B	4	1	2
GK	2	6	2
Total	34	66	67

Though this alignment came through in design, further examination of the GP and grantee project logic revealed that there were gaps between proposed activities and intended results. Though the high-level objectives and impact-level results for GP are well stated and understood among key stakeholders, the causal pathways and mechanisms to achieving those results are less clear. The logic in the GP logical framework seems to be more driven by the window structure than by problem analysis or expected results. Likewise, the logical frameworks presented in some grantees' design documents displayed gaps in logic and were not necessarily sufficient to achieve the GP objectives, particularly given the short timeframe for implementation.

### *Sustainability*

MCA-I has a fixed end date. As a facility, its design is therefore not intended to be sustainable itself, but to have sustainable results. According to another trust fund manager, the integration with MCA-I and BAPPENAS (the Indonesian Ministry of National Development Planning) lacks robustness to entertain any notions of sustainability, even though assets (such as equipment, tools, etc.) will be handed to the government. The vast majority of online survey respondents (93%) reported an intent to continue the work they did under MCA-I, and grantees are generally optimistic about obtaining continued funding for their work. Based on interviews, the hopes of several grantees are pinned on *Dana Desa* (village funds mandated by Law No. 6 of 2014), a national program that aims to provide funds directly to village governments. Others are negotiating other arrangements with local- and district-level government. One strong indicator of enduring results is that 39 percent of grantees plan to continue to work in the same communities. That is hardly surprising, given the duration of the project implementation period. However, the indication that the majority of grantees plan to scale up the efforts of their projects to other communities rather than continue in the same ones is a strong signal that there are both enduring results from GPF and that the results are worth scaling up.

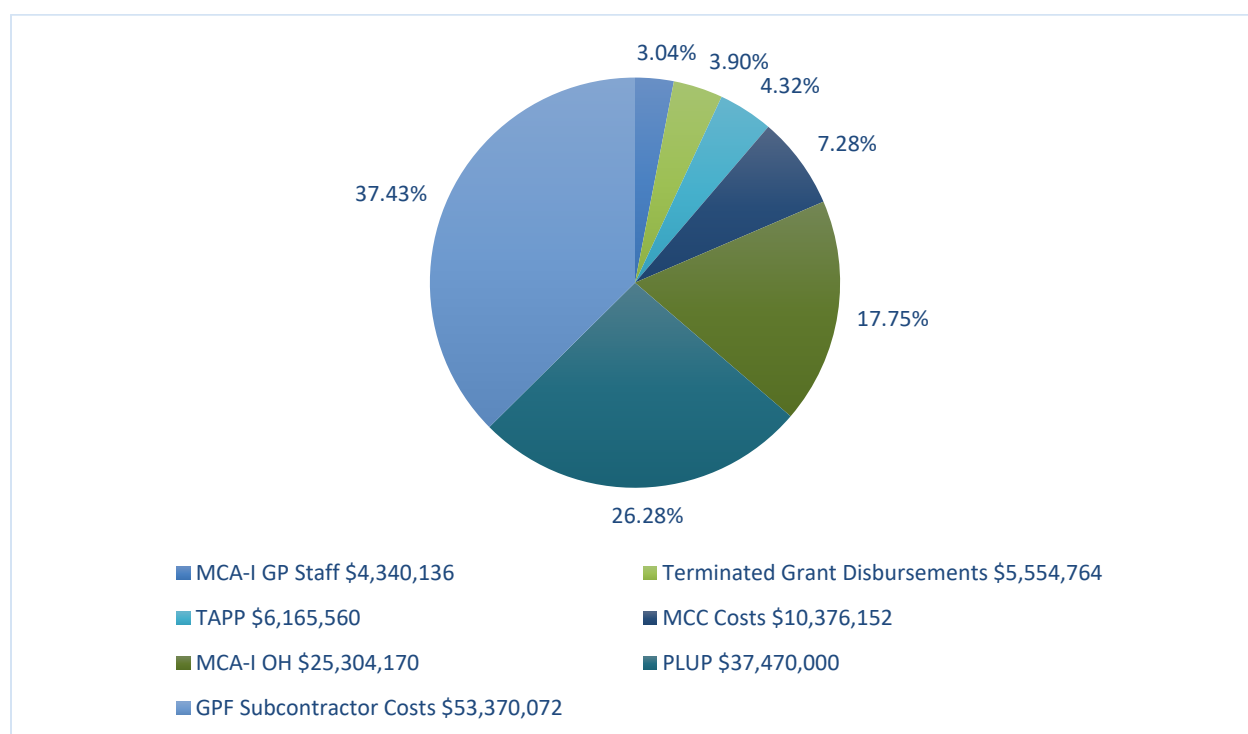
### *Cost Effectiveness*

Figure 3 below summarizes the costs of GPF. As of 12/31/2017, it is estimated that GPF cost at least \$142.6 million, excluding the GK. Excluding PLUP, it is estimated that total GPF costs were \$105.1 million.

In other words, it cost just over \$1 to fund \$0.80 of productive grant activity. Excluding PLUP costs, every dollar spent on GPF funded \$1.08 of productive grant activities. Fifty-three percent of the funds (inclusive of PLUP) spent on GPF overall went into the operation of the Facility itself. It is also important to consider that Window 1 and 3 grantees had matching or partnership requirements. According to monitoring data from December 2017, GP grants had leveraged \$38.87 million of external financing. These leveraged funds brought the total value of successful projects to \$153.17 million. So, for every dollar spent, the GPF generated \$1.07 in total project value, with \$0.27 leveraged for every dollar spent. This changes significantly when the PLUP costs are excluded. With PLUP excluded, GPF generates \$1.46 in total project value per dollar spent, leveraging \$0.37 for every dollar spent.

The largest contributor to cost is the network of GP subcontractors, including the PMC, GPMs, Grant Administration Support Team (GAST), and Grant Management Team (GMT), which constitute approximately 50% of the costs when PLUP is excluded. As noted in response to Question 1, the GP subcontractors took on the majority of communication, administration, and oversight of the grantees, and therefore represent a significant portion of the work completed under GP. Key informants at MCA-I have suggested that this work could have been completed more efficiently had the design for GP been more fully thought through, as this would have led to earlier identification of the type of support required.

**FIGURE 3: GP OPERATIONAL COSTS**



A key component of the grantees' applications was to demonstrate alignment with GP objectives, including reduction in greenhouse gases (GHG) and increased environmental benefits. However, many of the environmental benefits were excluded from the ERR. Because of the exclusion of environmental benefits from the ERR, it is possible that grantees' benefits were underestimated in the calculation. For Windows 1 and 3, though there are important benefits that are not monetized, the projects are undertaken for benefits that are valued in the market, making the ERR relatively

easier to calculate. The ERR can therefore be used to screen and prioritize grantees. Additionally, these projects are larger than those in Window 2 on average, with an average award amount of \$5.4 million for Window 1 and \$9 million for Window 3, and so the cost of developing the ERR is relatively lower. The average grant in Window 2, on the other hand, is about \$900,000. The grantees in Windows 1 and 3 also tend to have access to the kind of expertise that is needed for the ERR calculation, whereas Window 2 grantees admitted to a greater learning curve for this exercise. The evaluation team reviewed a random sample of the ERR calculations for Window 2 and found them to contain many assumptions about the future that the evaluation team could not verify. While production, cost, and pricing estimates may be reasonable in a vacuum, actual values are tied to markets, which neither MCA-I nor the grantees evidenced through robust analysis. While some projects, like cocoa, are amenable to this kind of analysis (and this analysis may have been undertaken by the implementing partner), others are more evasive. Social forestry and environmental protection projects, for example, provided unconvincing ERRs that suggested returns as early as year 1 of the project, remaining constant until year 20. The evaluators were unable to identify from where these returns might be derived in a project focused on growing trees for future harvest.

### *Key Challenges*

The evaluation team identified several challenges at each stage (design & preparation, project call & selection, and implementation) of GPF that MCC may consider for the design of future facilities.

During the design phase, two key challenges emerged: (1) the mismatch between the GP design and MCC's "business-as-usual" approach and (2) lack of consistency with Indonesian realities. An MCC respondent explained that the traditional MCC model says "if we do less, they do more," but this approach is not effective in the Indonesian context. MCC actually noted that they had "seen country ownership increase with more engagement from MCC, not decrease,"<sup>9</sup> reinforcing the need for greater MCC involvement to assist the Compact with achieving its milestones. Similarly, one of the most fundamental missing design elements was consistency with Indonesian realities in terms of whether the Facility was in the business of grantmaking, lending, or procuring, as discussed in response to Question 1.

During project call and selection, there was substantial confusion during the proposal process in which proposals were asked by MCA-I to be revised several times, with often conflicting advice or recommendations. Others mentioned that important details were missing from the call, which should have influenced project proposals. Some respondents reflected that there was a lack of understanding of the grant target audience's capabilities.

Over 53 percent (15 of 28) of respondents to the online survey cited that financial reporting requirements were difficult during implementation. The complexities of the financial reporting systems, as well as changing rules and guidance throughout the implementation period, often resulted in slow approvals of financial reports and delayed disbursements. Disbursement delays resulted in what grantees often referred to as "self-financing" so that they could keep project activities moving despite delayed disbursements.

Over 60 percent (17 of 28) of online respondents cited that the procurement systems were difficult. Most complaints from grantees pertaining to procurement centered around (1) the time that

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<sup>9</sup> Indonesia Compact Annual Review, 2013.

approvals took and (2) the changing rules. The procurement rules were sometimes viewed as too stringent and time consuming by some grantees, as well as some MCA-I staff, given the scope and scale of projects funded by GP.

Respondents, both grantees and MCA-I, described the reporting, management, and administrative systems as constantly changing. One of the most mentioned challenges for grantees and MCA-I staff was repeated changing of the rules without notice, without reason, and contravening previous agreements. Several grantees also suggested that internal disagreements between the PMC, for example, and MCA-I, and between MCA-I and MCC, created substantial confusion and delays.

The effects of the challenges were experienced differently across portfolios but compounded problems in similar ways. For example, one of the issues with delayed disbursements for agriculture and reforestation projects was that payment delays meant not only deferring activities until payment was made but until the next growing season. Similarly, projects involving infrastructure development had to wait until the weather was favorable for construction, requiring them to wait until the rains had finished.

### *Key Successes*

The design was generally regarded by respondents as innovative and meeting a niche need in Indonesia. It is, as many respondents commented, “unique” in Indonesia and perhaps globally in terms of developing a grantmaking facility that facilitates different levels of government, private sector, and civil society collaboration together toward a set of goals, as broad as those goals might be.

The grantmaking process itself was generally regarded positively by respondents. The GPF was also successful in engaging many grantees and sub-grantees who have benefited from the “trial by fire” that was their implementation experience with MCA-I. Small to large NGOs were especially appreciative of the new learning that they had developed in terms of operational, financial, procurement, gender, and environmental processes and screenings. In a focus group, a grantee referred to GPF as a “university degree in project management.”

There were some innovative approaches to reduce the burden of reporting, which depended on the accountable agencies. For example, one of the project management contractors began accepting reports by WhatsApp (a popular social media application in Indonesia) when MCA-I requirements specified weekly reporting near the end of the implementation period. This shifted the burden of finding access to a computer and land-based internet for grantees, and the project manager formatted the data for MCA-I.

### *Lessons Learned and Implications for Future Programming*

1. **Plan for longer period of implementation.** Although the five-year timeframe for MCA-I was bound by MCC constraints, it proved insufficient to achieve many of the anticipated results. Even considering GP’s mobilization delays, the planned implementation timeframe of three years would still have been too short to achieve many of the long-term objectives of the GP.
2. **Use the due diligence period prior to Compact signature to come to clear agreements on the legality and governance of proposed projects.** To overcome the challenges experienced around roles and responsibilities and assumptions around the operating environment, MCC may want to consider adding two key deliverables to the due diligence



- period: (1) an independent legal assessment to identify potential legal or policy barriers and (2) a decision matrix that details roles and responsibilities across the involved stakeholders.
3. **Use LLAs to inform grant proposals at a broader level.** The LLA should occur at the same time as the District Readiness Assessments or MOUs as a process broader than that which individual project grantees would consider. In this way, the LLA would inform grant proposals, which would be compelled to contribute to LLA-identified strategies or gaps.
  4. **Implement scenario planning to allow for timely and clear decision making.** Though GP had milestones for Facility startup, when these milestones were not met, there was confusion regarding how to course correct. By scenario planning (anticipating challenges and developing action plans in advance), future facilities can implement action plans almost immediately when an issue is identified or a milestone is not met, reducing the time required to course correct.
  5. **Deploy a mobilization specialist team to set up the grant facility alongside the implementation team.** For future grant facilities, MCC should deploy a specialized team to the MCA to drive the process of setting up all systems and procedures for the facility. The mobilization specialist team should be responsible for developing key deliverables in coordination with the permanent MCA/MCC team for the project, including policy manuals (operational and financial), performance monitoring systems, and reporting formats.
  6. **Examine the MCC-specific requirements and determine their appropriateness for the facility.** Several respondents noted that some of the MCC requirements (ERR, SGIP) were not well suited to the types of grants funded by the Facility and may have served to only slow down implementation progress. For each requirement, MCC and MCA should conduct a tradeoff analysis to assess the added value of the requirement, the time required to fulfill the requirement, and the “fit” of the requirement to the operating environment.
  7. **Proactively orient grantees to the MCC requirements and provide guidance on the amount of time and expertise required to fulfill the requirements.** MCA should provide clear guidance to grantees about the expected requirements (per number 6 above), how they should be sequenced, and what skills are needed, so that grantees can propose teams that are suited to the task of meeting the requirements.

## NEXT STEPS/FUTURE ANALYSIS

SI delivered a briefing of evaluation results in Jakarta at MCA-I on March 22, 2018, and will deliver a Washington, D.C.-based briefing on May 15, 2018. The presentation in Jakarta was followed by discussion to reflect upon the findings and provide comments for consideration as the team prepared the final report. The presentation in Washington, D.C., was held on May 15, 2018, and was followed by a facilitated discussion to (1) validate the findings and conclusions presented and (2) discuss action planning around the policy implications to facilitate use and uptake.

Upon completion of the draft evaluation report, SI shared the initial evaluation draft report with local stakeholders and MCC for review. SI responded to each of the comments in Section 8.4 below and submitted a revised version of the report on April 20, 2018.

At MCC’s request, SI also prepared an extra two-page summary of the evaluation with key findings and conclusions for policymakers within the GoI. The summary was shared with attendees at the presentation in Jakarta and will be translated into Bahasa Indonesia after submission of the final report.



## 1.0 INTRODUCTION & BACKGROUND

### 1.1 COUNTRY CONTEXT

Resource-rich Indonesia has boasted striking economic growth in the new millennium, propelling it into middle-income status and reducing the poverty rate by more than half to 10.9 percent in 2016.<sup>10</sup> As part of its plans for sustainable economic growth (with a target of 7% by 2020), Indonesia has committed to using new and renewable energy for at least 23 percent of consumption by 2025<sup>11</sup> and aims to reduce total emissions by 26 percent from its business as usual scenario by 2020 with its own resources and by 41 percent with international support.<sup>12</sup> Indonesia's greenhouse gas (GHG) emissions are largely attributable to land use changes, deforestation, and agricultural fires.<sup>13</sup> In 2012, GHG emissions reached 1.453 GtCO<sub>2</sub>e, resulting from land use change, peat land fires (47.8%), and energy consumption (34.9%).<sup>14</sup>

The Government of Indonesia (GoI) established a directorate for General Energy Efficiency, Conservation, and Renewable Energy in 2010. According to the International Renewable Energy Agency, GoI is aiming for near-100 percent electrification by 2026, and 10 percent of the population currently lacks access to electricity.<sup>15</sup>

Land use change is recognized to be the primary contributor to GHG emissions by the Food and Agriculture Organization (FAO) of the United Nations,<sup>16</sup> and this is especially true in Indonesia, as peat and land use, land use change, and forestry (LULUCF)-related emissions are by far the largest contributors to GHG emissions. Emissions from peatland are a unique challenge for Indonesia, as they account for 58 percent of global emissions from peat decomposition.<sup>17</sup> The Indonesian government issued a decree that prohibits land conversion of peat more than three meters deep and is supporting efforts geared to fire prevention, peatland rehabilitation, and water management. The majority of land (70%) is administered by the Ministry of Forestry and is classified as conservation, protection, or production forests. The remainder of land, including crop land, is administered by the *Badan Pertanahan Nasional* (BPN), or National Land Agency.

There are many reduced emissions from deforestation and degradation (REDD) activities ongoing in Indonesia, especially since a partnership between the Government of Norway and the GoI established a REDD+ Task Force, later called the REDD+ Agency. The Millennium Challenge Corporation's (MCC's) Compact Investment supports GoI goals in reducing GHG emissions through the Green Prosperity (GP) project, which aims to work with local communities to create economic opportunities that alleviate poverty and improve management of natural resources.<sup>18</sup> Along with supporting GoI's development priorities and policies related to reducing GHG emissions, the Millennium Challenge Account Indonesia (MCA-I) is committed to implementing environmental and social safeguards to minimize potential adverse environmental and social impacts resulting from

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<sup>10</sup> The World Bank in Indonesia, Overview, 2017, <http://www.worldbank.org/en/country/indonesia/overview>.

<sup>11</sup> Government Regulation No. 79 concerning National Energy Policy, 2014.

<sup>12</sup> Millennium Challenge Corporation, Indonesia Compact Investment, 2011.

<sup>13</sup> U.S. Relations with Indonesia, Fact Sheet, Bureau of East Asian and Pacific Affairs, January 17, 2017, <https://www.state.gov/r/pa/ei/bgn/2748.htm>.

<sup>14</sup> First Nationally Determined Contribution. Jakarta: Ministry of Environment, 2016.

<sup>15</sup> IRENA. Renewable Energy Prospect: Indonesia, 2017.

<sup>16</sup> FAO (Food and Agriculture Organization of the United Nations), FAOSTAT Emissions Database, 2014.

<sup>17</sup> Dewan Nasional Perubahan Iklim, Indonesia. Indonesia's Greenhouse Gas Abatement Cost Curve Analysis, August 2010.

<sup>18</sup> MCC, Indonesia Compact Investment, 2011.

mitigation activities, as well as meaningfully integrating women and vulnerable groups into mitigation activities.

## 1.2 OBJECTIVES OF THE REPORT

This evaluation report presents Social Impact's (SI's) findings and conclusions related to the effectiveness and sustainability of the Green Prosperity Facility (GPF) project and its grant portfolios, as well as generates practical policy recommendations to inform the design of similar Compacts in the future and advance evidence-based development decision making. The evaluation report identifies achievements, constraints, and the beneficial and detrimental aspects related to GPF's implementation and effectiveness. The report also describes how the design of the GPF evolved over time. The objectives of the evaluation are:

1. To make a comprehensive assessment of the GPF status and accomplishments in terms of attaining its objectives and results; and
2. To draw conclusions about the activity by focusing on its relevance, effectiveness, efficiency, impact, and sustainability.

The key audiences of the evaluation are MCC, MCA-I, and the Government of Indonesia. The evaluation team consisted of seven people:

- Local Research Manager (Team Lead), Dr. Henri Sitorus
- Senior Natural Resource Management Expert, Dr. Rodd Myers
- Senior Economist and Renewable Energy Expert, Mr. Matthew Addison
- Qualitative Methods Specialist, Ms. Paige Mason
- Program Manager, Ms. Danielle de Garcia
- Research Assistant, Ms. Intan Sari
- Program Assistant, Ms. Katya Fink

The report is organized as follows: This section provides country context and background. Section 2 presents an overview of the Compact, GPF interventions, the program logic, brief summaries of intended beneficiaries and geographic coverage, and the implementation summary. Section 3 presents the literature review, which focuses on two key areas relevant to the scope of this evaluation: approaches to reduce GHG emissions and grant facility models, plus gaps in existing literature. Section 4 presents the evaluation design, including SI's methodological approach and data collection strategies for assessing implementation fidelity and addressing evaluation questions related to effectiveness, sustainability, successes, and lessons learned. Section 5 includes findings and conclusions for each of the evaluation questions, as well as policy implications for MCC and Gol's consideration. Section 6 includes an assessment of future steps and future analysis recommendations.

## 2.0 OVERVIEW OF THE COMPACT AND THE INTERVENTIONS EVALUATED

In 2011, MCC entered into a \$600 million, five-year Compact Agreement with the Republic of Indonesia, reflecting its focus on sustainable economic growth. The Compact Program consists of three projects: the Community-Based Health and Nutrition to Reduce Stunting Project (Nutrition), the Procurement Modernization (PM) Project, and the Green Prosperity (GP) Project. The Compact's largest component, the \$332.5 million GP Project, invests in RE and NRM as part of the government's national development strategies to reduce greenhouse gas emissions, as well as to respond to U.S. priorities for green growth and GHG emissions reduction. Much of this investment occurs through the centerpiece GPF, the Compact's grantmaking and administration body that funds RE and NRM programs.

### 2.1 COMPACT PROGRAM LOGIC

Indonesia was selected as eligible for a Compact in December 2008 by MCC's Board of Directors, and MCC began liaising with the GoI to prepare for the Compact from that point forward. Prior to the Compact's signature and entry-into-force (EIF), the GoI appointed a National Program Coordinator in June 2009, and the Asian Development Bank (ADB), International Labour Organization (ILO), and Islamic Development Bank funded a constraints analysis, which was published in August 2010. The constraints analysis cited the need to strengthen procurement processes, establish a modern land record system, and mainstream environmental concerns in national- and regional-level development planning.<sup>19</sup>

MCC, the GoI, and the Steering Committee (SC) selected four projects within three themes based on the results of the constraints analysis and proposals solicited by the GoI from local entities. These three themes included:

1. Community-Based Health and Nutrition (health),
2. Green Prosperity (NRM, human resource management, energy resource management), and
3. Governance (procurement modernization).

The projects and themes were refined through September 2011 and were presented to the MCC Board of Directors for Compact signature. GP comprises over half of the total Compact budget and reflects the prioritization of environmentally sustainable growth reflected in the constraints analysis, which includes greater clarity around land governance, exploration of public-private partnerships, and reducing GHG emissions.

Each of the three projects is broken up further into activities tailored to the unique needs of each sector. In Health, MCA-I has three activities, namely: Community Projects, Supply-side, and Communications. Likewise, the Governance project has three activities: Procurement Professionalization, Policies and Procedures, and Gender. The GP Project has four activities, described in greater detail in section 2.2 below.

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<sup>19</sup> Indonesia Constraints Analysis, Asian Development Bank, International Labour Organization, and Islamic Development Bank, 2010

## 2.2 GREEN PROSPERITY PROJECT LOGIC

GP aims to promote environmentally sustainable, low-carbon economic growth as set forth in the GoI's medium- to long-term development plans. As stated in the Compact Investment Memorandum,<sup>20</sup> the main objective of the project is to work with local communities to create economic opportunities that alleviate poverty and improve management of Indonesia's natural capital. The GP Operations Manual further describes the objectives of GP to be (i) to increase productivity and reduce reliance on fossil fuels by expanding renewable energy and (ii) to increase productivity and reduce land-based GHG emissions by improving land use practices and management of natural resources.<sup>21</sup> The project provided a combination of technical assistance and grants to help communities improve land management practices and design and implement economic activities that enhance livelihoods and protect critical ecosystem services that people rely on for income and wellbeing. It is anticipated that activities under the GP project will complement the GoI's efforts to reduce emissions from deforestation and environmental degradation. More broadly, the project is also expected to help foster greater, greener, and smarter outside investment in Indonesia by improving the basis by which land use decisions are made and by creating incentives for increased deployment of cleaner technologies.

The Green Prosperity project comprises four discrete activities, detailed below:

1. The **Participatory Land Use Planning (PLUP)** activity is meant (i) to ensure that projects funded by the GP Facility (GPF) are designed based on accurate and appropriate spatial and land use data and adhere to and reinforce existing national laws, regulations, and plans; and (ii) to strengthen the capacity of local communities and district-level institutions to manage their own land and resources. This is accomplished through participatory village boundary setting (VBS), updating and integrating land and other natural resource use plans, and enhancing district and provincial spatial plans.
2. The **GPF** provides grant financing to mobilize greater private sector investment and community participation in RE and sustainable land use practices. The GPF investments are intended to enhance sustainable economic growth and social conditions while also reducing Indonesia's carbon footprint. This evaluation is focused on the activities and administration of the GPF.
3. The **Technical Assistance and Oversight** activity is designed to provide assistance and oversight for eligible districts, project sponsors, and community groups to identify and develop potential investments in sustainable low-carbon economic growth. Technical Assistance also included performing or reviewing detailed feasibility studies, engineering designs, and requirements on environmental, social, and economic benefits, and monitoring and evaluation to meet GoI permitting and international performance standards.
4. The **Green Knowledge (GK)** activity supports and enhances the results of GP projects by facilitating the collection, application, and dissemination of knowledge relevant to low-carbon development within and beyond GP districts.

The **outputs** of the GP Project could be considered as the financed projects from each of these four discrete **activities**. The combined **outcomes** of the projects financed through each of these activities are meant to lead to the intended downstream **impacts** of the GP project, namely: the creation of

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<sup>20</sup> Investment Memorandum on Government of The Republic of Indonesia Proposed Compact, August 2011.

<sup>21</sup> Green Prosperity Project, Green Prosperity Facility Operations Manual, June 2014.

economic opportunities that alleviate poverty and improve management of Indonesia's natural capital.

## 2.3 GP GRANT DESCRIPTION

The GP portfolio of grants was fully awarded by July 2017,<sup>22</sup> each falling into one of five types of grants:

- Window 1 (Partnership Grants): These grants leverage private sector or other outside funding to promote increased investment in sustainable NRM, renewable energy, and improved land use practices in either targeted landscapes or targeted agricultural value chains. All partnership grants required co-funding by the partner on at least a 1:1 basis, with preference given to partnerships committing a higher share of co-funding.<sup>23</sup>
- Window 2 (Community-based Natural Resources Management [CBNRM]): These grants fund smaller-scale, community-based projects that promote enhanced management of watersheds and forests to improve the sustainability of renewable energy (RE) and/or agriculture investments and support rural livelihoods and economic development that result in reduced greenhouse gas emissions.
- Window 3 (RE): These grants fund community-based off-grid (3A) and commercial-scale on-grid (3B) renewable energy projects.<sup>24</sup>
- Technical Assistance and Project Preparation (TAPP): These grants fund studies (environmental, social, feasibility) and technical assistance to enhance the quality of the projects in Windows 1 and 3 to reach the quality required for grant approval.
- GK: These grants build local, provincial, and national capacity to drive forward Indonesia's nationwide low-carbon development strategy within the context of the GP Project.

The grants awarded under the GPF are implemented across 14 provinces in Indonesia: Riau, Jambi, West Sumatra, Bengkulu, South Sumatra, West Sulawesi, South Sulawesi, Southeast Sulawesi, Gorontalo, West Kalimantan, East Kalimantan, North Kalimantan, West Nusa Tenggara (NTB), and East Nusa Tenggara (NTT).<sup>25</sup> As implementation progressed, grants were further organized into a range of portfolios, namely: Sustainable Agriculture, Peatland, Social Forestry, Women's Economic Empowerment (WEE), Community/Off-grid RE, Commercial/On-grid RE, Cocoa, and Eco-tourism.<sup>26</sup> Section 8.1 provides a more detailed explanation of each grant portfolio.

## 2.4 LINK TO ECONOMIC RATE OF RETURN AND BENEFICIARY ANALYSIS

The types of analyses conducted by the GPF differed somewhat from the typical MCC/MCA cost benefit analysis and beneficiary analysis, owing to the nature of the Facility. GPF did not conduct a whole-of-project economic rate of return (ERR) or cost-benefit analysis. Rather, each of the grants was expected to have its own cost-benefit and ERR analysis, which would be considered in the grant award process. MCA-I completed ERR calculations for Windows 1 and 3 using the proposal inputs, adjusting for reasonableness, with some support from MCC in "ground truthing" assumptions. Grantees in Window 2 worked together with consultants from the GPM to calculate their ERRs, with

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<sup>22</sup> Some grants were terminated between July 2017 and the end of the Compact.

<sup>23</sup> EOI for GP Grant Partnerships, page 7.

<sup>24</sup> Some of the 3B grants included a combination of TAPP phase and construction phase.

<sup>25</sup> If GK grants are excluded, implementation occurred in 11 provinces.

<sup>26</sup> In early 2018 the GP Project decided to organize all grants under four portfolios: Sustainable Agriculture (including Cocoa), Peatland, Renewable Energy, and Social Forestry/NRM.

additional support from MCA-I. The same emphasis on the grant level was expected for beneficiary analysis, with GPF as a whole emphasizing the definition of potential grantee organizations.

As such, GPF conducted a thorough assessment of district readiness in four “starter” districts to inform spatial planning. This assessment, conducted by Abt Associates, incorporated elements related to the problem diagnostic, risk, and other considerations. The results of that assessment, however, did not ultimately become the guiding force for implementation, in part because the geographic scope of GP expanded well beyond those areas, and in part because of the desire to increase the likelihood of awarding grants up to the project value. Additional district readiness assessments were completed to:<sup>27</sup>

- Assess the level of district readiness related to: political conditions, institutional capacity, regulatory frameworks, social and gender analysis, and conformance with MCA-I conditions;
- Support MCA-I in prioritizing 11 pre-selected districts before MOU signing; and
- Assess investment opportunities within the districts.

Similarly, as the theory of change shifted over time (particularly with the sequential versus parallel implementation of PLUP), the focal geographic points (and therefore beneficiaries) also shifted somewhat. That stated, grantee and site selection criteria were well defined following the development and implementation of the Operations Manual. It is possible to geographically locate areas expected to benefit from various grants with a reasonable level of precision. Similarly, the M&E plan (developed during the course of implementation) does lay out a specified number of beneficiaries for project in the 2017 version.<sup>28</sup> That said, these are based on preliminary economic models developed before grants moved into implementation.

A few documents note that the GPF is expected to benefit households and businesses in the targeted GP districts, primarily through expanded renewable energy and improved natural resource management, which should result in cost savings, gains in income, and consumer surplus.<sup>29</sup> However, the household beneficiaries and specific businesses are not precisely identified in the program beyond those within the geographic region of interest, and the way in which each grant identified its beneficiaries to conduct its cost-benefit analysis and estimate the ERR varies. These issues are explored further in response to Evaluation Question 4.

## 2.5 IMPLEMENTATION SUMMARY

Originally, the GPF was intended to provide grants for small-scale renewable energy technology or improved natural resource management, as well as loans for large-scale renewable energy financing. However, this approach encountered legal issues related to Government Regulation PP20/2011, which limits government entities from engaging in financial lending unless the entity is a local government or state-owned enterprise. Additionally, the vision for the grant portfolio shifted significantly as the GPF design evolved. Originally, the GPF intended to partake in five to eight grant partnerships with a GPF contribution of \$5–10 million each over the life of the Compact, as well as a small grants program to support community development programs that enhance the outcomes of the larger grants.<sup>30</sup> As the design evolved and MCA-I became more familiar with the requirements

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<sup>27</sup>Rapid District Readiness Assessment for Participation in MCA-I’s Green Prosperity Project, 2014, pg. 1-1.

<sup>28</sup> This calculation of beneficiaries was conducted by the MCA-I EA team in 2017.

<sup>29</sup> In most cases, it is the willingness to pay that accounts for the majority of the benefit stream.

<sup>30</sup> Aide Memoire: Indonesia Compact Implementation Green Prosperity Project, 2013, pg. 14.



and steps involved with grantmaking, the GPF began channeling grants through Windows and, later, portfolios. The Partnership Grant Window (Window 1) was the first to release a call for proposals in April 2014 and selected two consortia in March 2015 to implement grants supporting sustainable cocoa agriculture. Through the rest of 2015 and through April 2016, the GPF made a significant shift from grantmaker to grant administrator, with \$75 million in natural resource management and renewable energy grants awarded through Windows 1 and 3. GK grants, totaling \$14.5 million, were also awarded in that year. The Window 2 grants were awarded in the summer of 2016, followed by remaining Window 3 grants in early 2017. In total, the GPF awarded 92 grants (including 21 TAPP grants) totaling over \$170 million, with the full portfolio of grants awarded by July 2017. Between July 2017 and the final round of data collection in January 2018, five of these grants had been terminated, and several of the TAPP grants did not proceed to full grant status.

All proposals or EOIs received were screened against a set of non-eligibility criteria. Applications for funding that met the eligibility criteria were forwarded to the Technical Appraisal Panel (TAP), which, in turn, appraised the proposals against a pre-determined set of investment appraisal criteria. The eligibility criteria (or non-eligibility criteria, as the case may be) were applied to all proposals seeking funding. However, additional and/or slightly modified variations of these criteria were applied in accordance with the specific objectives of individual funding windows and/or calls for EOI/proposals.<sup>31</sup> For different types of technically focused or sector-specific projects, a tailored mix of appraisal criteria was developed. Furthermore, relative weights were assigned to the criteria to allow systematic scoring and ranking of the grant proposals. Investment criteria focused on potential impact on poverty, required that projects show economic rates of return above established hurdle rates, and incorporated MCC policies on environmental, social, and gender issues. Criteria covered areas such as support for sound forest and natural resource management, rural economic development, private sector, NGO and community partnerships, and respect for traditional and community institutions and land resource use rights. The detailed criteria are included in the facility operations manual, which was prepared during facility startup.

As the GPF shifted into implementation mode, the structure of the team shifted as well. MCA-I brought on a Project Management Consultant (PMC), a consortium of CDM Smith and Hatfield Consultant Partnership, in September 2014, to provide program management support for Facility operations and grant administration services for Windows 1 and 3, as well as GK. EuroConsult Mott McDonald (EMM) and Kehati act as the Grant Program Managers (GPMs) and began managing the Window 2 grants shortly after, from October 2014 onward. As grants moved into the construction phase in 2017, MCA-I also leverages Technical Oversight and Project Execution (TOPE) consultants. In July 2017, the Project Delivery Unit (PDU) was established to manage a subset of the RE portfolio, prompting a reorganization of GP portfolio management. MCC hired TetraTech to support project implementation oversight for the RE portfolio in 2017, and an MCC team of consultants provides oversight for the remaining windows and GK.

The costs of the GPF are documented and explained in response to Evaluation Question 4 (section 5.4), and the achievements against stated monitoring targets are explored in response to Evaluation Questions 2 and 4 (sections 5.2 and 5.4, respectively).

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<sup>31</sup> Green Prosperity Project, Green Prosperity Facility Operations Manual, June 2014.

### 3.0 LITERATURE REVIEW OF THE EVIDENCE

As the GPF evaluation is a process and performance evaluation, the literature review differs somewhat from that of impact evaluations. The team has reviewed relevant project documents to better understand and validate the problem analysis, GPF design, environmental, political and contextual factors, implementation changes, requests for grant proposals, and grant agreements. For the purposes of this report, we are focusing the literature review on two key areas relevant to the scope of this evaluation: approaches to reduce GHG emissions and grant facility models.

#### 3.1 EXISTING LITERATURE

There is ample literature offering strategies, frameworks, and tools for identifying and measuring GHG emissions, put forward by a range of organizations from multilateral development banks, NGOs, and the private sector, among others. Despite the plethora of guidance, there are few publicly available studies that compare the effectiveness of strategies for reducing GHG emissions. Furthermore, though guidelines for measurement are widely available, few have been rigorously tested. Additionally, MCC hired the International Climate Fund (ICF) to estimate the GHG emission reductions resulting from GP. ICF requested that all grantees complete data collection templates, which were then used to estimate GHG emission reductions. Therefore, the literature reviewed focuses on the various approaches to reducing GHG emissions, with particular focus on facility-type models of responding to climate change mitigation needs in Indonesia. A full summary of the literature reviewed can be found in Section 8.2.

#### 3.2 GAPS IN LITERATURE

There are ample studies that propose methodologies for evaluating GHG emission reduction activities and guidance documents to monitor GHG emissions. There are also several comparisons of emission trading schemes and carbon tax policies, as well as models for reduction potential (e.g., cost curve analysis). However, there are few publicly available and readily accessible comparisons of strategies for reducing GHG emissions based on active or closed interventions outside of these two demand-reduction strategies. This report is not expected to fill this gap in literature, as the impacts of many of the grants will not yet be seen at the level of reducing GHG emissions.

Another gap in the literature was that of cost effectiveness of grant facilities or climate funds. The team was unable to identify suitable comparison models with sufficient data to measure cost effectiveness. The data publicly available consisted of facility manuals, overall facility and project-level descriptions, and some limited data about disbursements. Unfortunately, detailed cost data, which is essential to developing cost effectiveness measures, was not publicly available or made available to the evaluation team. Therefore, this evaluation addresses the cost effectiveness of the GPF but is unable to draw conclusive comparisons with other Facility-type mechanisms or with other models for reducing GHG emissions. Similarly, detailed assessments of facility design processes (e.g., the theoretical framework underlying facility development) were not readily available, although several organizations (even within Indonesia) have implemented facility models.



## 4.0 EVALUATION DESIGN

### 4.1 EVALUATION TYPE

The GPF evaluation is a process and performance evaluation, conducted in two parts. First, SI assessed implementation fidelity (Evaluation Question 1) to explore the changes in the original design of the Facility and the reasons for those changes. The remaining evaluation questions are answered through a performance evaluation, with both “Facility-level” findings and “Portfolio-level” findings, where it is reasonable to make such a distinction.

### 4.2 EVALUATION QUESTIONS

#### 4.2.1 EVALUATION QUESTIONS

The evaluation questions and their relation to the stated purposes of the evaluation are listed below in Table 6. The evaluation questions were decided jointly with the MCC Evaluation Project Manager (PM) and MCA-I M&E staff following an evaluability assessment, conducted in August 2017.

**TABLE 6: EVALUATION QUESTIONS**

Evaluation Question	Justification
1. How and why did the design of the GPF evolve over time?	GPF did not follow strict implementation fidelity with respect to the design documents. Changes were made for a variety of reasons, which stakeholders are interested in documenting and understanding (for both accountability and learning purposes). Findings related to the reasons for change may also affect future design processes or approaches.
a. Did the PLUP Activity feed into the work of the GPF?	The change in implementation, as noted above, has specific implications for the PLUP activity. As this was a core tenet of the design and was later modified, stakeholders are interested in understanding the extent to which there was complementarity or foundational elements between GPF and PLUP.
b. To what extent did GK contribute to the GPF?	GK is not subject to its own evaluation, and stakeholders recognize that the role of GK in the GP Project may have shifted from design to implementation, owing to a number of factors. This evaluation aims to describe GK’s contributions to GPF and any links to the Facility’s design, implementation fidelity, and results. In answering this question, we will look at the extent to which GK captured successes and lessons learned from the GPF and other investments and whether they used lessons learned from GP to guide their work.
2. Is the GPF an effective model to achieve the objectives and/or delivery of grant funding? Why or why not?	MCC and the GoI are both interested in understanding whether and how this model should be used moving forward.
a. Which aspects of the GPF were particularly beneficial or detrimental to the achievement of the GP Project objectives?	In being able to recommend whether and how to implement a grant facility model in the future, it is crucial to understand which contextual factors, design elements, structural processes, and/or other aspects hindered or facilitated the achievement of objectives. This will also help to understand the

Evaluation Question	Justification
	extent to which changes and investments made to GPF over time (Question 1) helped or hurt the achievement of outcomes (an expressed interest of MCA and MCC).
b. Did the GPF approach result in a set of grants that aligned with the GP Objectives?	In order to gauge whether or not this model was effective, the team needs to understand whether the end results were aligned with the design and original intended outcomes of the GPF investment, despite changes to the implementation approach.
3. What key results did the GPF have with respect to processes, policy, or sustainability?	Stakeholders recognize that a good portion of their work was spent on areas not necessarily captured in the design stage. As such, this evaluation will attempt to understand some of the less anticipated outcomes and what they meant for GPF, as well as for GoI and MCC/MCA.
a. Were the approved grants higher quality than they may have been through other processes?	Some key actors have noted that this result (higher quality grants) was not outlined in the design documents but is an area of interest. Answers to this question will also help the team better understand the extent to which the GPF model and associated processes were effective.
b. Did the Facility catalyze government policy changes, lay groundwork for future investment, or leverage private sector funds using a new approach?	As with Question 3a, this particular area of results has been noted by stakeholders as an area of interest that was not adequately captured in the design of GPF. Understanding the utility of the model and how that aligns with the problem analysis and anticipated outcomes requires analysis of unanticipated outcomes as well.
c. Are there indications that investments will continue to have enduring benefits after the lifetime of the Compact?	GPF represents a substantial investment. The answers to this question will provide some value of sustainability by which users can determine effectiveness of the approach.
4. Was the GPF cost effective?	Given the large investment, MCC and other stakeholders need to understand the extent to which this was a prudent use of resources. In answering this question, the team will also determine whether the benefit streams modelled in the CBA for each grant were appropriate and/or realistic.
a. How much did it cost to implement the GPF?	Costs were not aggregated systematically for GPF because of the multiple and evolving investments in different pieces of the project. To make a value judgment regarding cost effectiveness, the team will need to understand costs in a more holistic sense, aggregating the costs of contractors, HQ support staff, grants, MCA-I operations, etc.
b. What did the Facility achieve in terms of grants awarded and outputs or outcomes?	While some potential achievements or results are specified in other questions, a more holistic understanding of GPF achievements at the output and outcome levels is necessary to adequately gauge cost effectiveness of the facility.
c. Are the benefit streams modelled in the cost-benefit analyses for the grants appropriate and/or realistic?	GP differed significantly from other MCC investments, as did the calculation of ERR and cost-benefit analyses. Because GP used a new approach, the team will assess the strengths and weaknesses of the approach used so that MCC can refine it in future facilities resembling GP.

Evaluation Question	Justification
5. What were the key successes, challenges, and lessons learned with respect to operationalizing the GPF at each stage of work?	Users recognize several internal and external factors that impacted the operationalization of GPF. In order to learn from this experience, stakeholders need to understand which ones were prevalent in which stages in order to mitigate challenges and build upon successes with future interventions. Answers to this question will consider GPF as a whole and also capture lessons learned from each of the individual portfolios.

#### 4.2.2 COUNTRY-SPECIFIC AND INTERNATIONAL POLICY RELEVANCE OF THIS EVALUATION

This process and performance evaluation will serve two primary purposes, based on the results of the evaluability assessment. Namely, it will:

- Inform the design of future grant facilities (by MCC) and/or trust fund facilities (by the Indonesian government), based on GPF learnings; and
- Provide accountability surrounding changes and adaptations made throughout the course of the GPF to a variety of MCC, MCA, and partner organization stakeholders.

MCC currently implements the grant facility model in ten Compacts and is interested in better understanding the GPF results and process to help inform whether and how to implement this type of model within other MCC/MCA contexts. Similarly, the Indonesian government is considering whether and how to continue to work toward GP objectives following Compact closure, in alignment with its own country priorities and discussions with additional donors. Discussions held during the evaluability assessment and data collection indicate that the GoI is considering the possibility of using a trust-fund model (or something similar) to continue this type of work.

As such, this evaluation is expected to complement existing data surrounding appropriate approaches and models to reduce greenhouse gas emissions in Indonesia and provide key lessons learned for these two audiences.

#### 4.2.3 KEY OUTCOMES LINKED TO PROGRAM LOGIC

At the impact level, GP hoped to achieve increased household income and reduced GHG emissions. The GPF was intended to contribute directly to the outcomes, which are expressed as higher-level and lower-level outcomes in the most recent logic model (shown in response to Evaluation Question 1, section 5.1). The higher-level outcomes include (1) reduced reliance on fossil fuel, (2) improved sustainability of landscape through reduced deforestation and improved land conservation, and (3) increased economic productivity through the use of electricity or land. The lower-level outcomes are expected to contribute collectively to the three higher-level outcomes and include (a) reliable commercial-scale RE provision, (b) reliable community-based RE provision, (c) sustainable agriculture promoted, (d) sustainable forestry promoted, (e) improved NRM practices, and (f) improved land use practices. The grant portfolios are linked closely with these lower-level outcomes. The alignment of the grants with GP objectives will be discussed in-depth in response to Evaluation Question 2 (section 5.2), and achievement against the outcomes will be discussed in response to Evaluation Question 4 (section 5.4).

As context for the discussion of findings and conclusions related to outcomes, the evaluability assessment pointed to some potential weaknesses in the causal pathways. These include the following:

- The number and variety of intermediate results at all levels of the results chain is indicative of differing perspectives and levels of understanding regarding the relationships and roles of each grant and window with respect to their contributions to each result.
- Increased household income appears as both an output and an impact, yet its relationship to many of the activities and grant procurement is unclear to many stakeholders.
- It is unclear how an increase in household income would lead to promotion of sustainable forestry, sustainable agriculture, and improved land use policies.
- Links from the output to outcome level are unclear. For example, it is unclear how leveraged private sector investment will lead to increased yields, household incomes, and regional capacity.
- The logic connecting several items is not well defined. For example, the application of schemes to improve communities' involvement for on-grid RE power is supposed to link to an improvement in certification and standards, which should, in turn, contribute to a reduction in energy costs. This logic seems to be driven by the Window structure rather than by problem analysis or expected results.

Some of the outcomes listed (particularly sustainable agriculture and sustainable forestry being promoted) are stated more as inputs (promotion) rather than outcomes. Rather than having the promotion of sustainable forestry lead to increased yields and incomes, which is more aligned with the literature, the logic goes the other way in GP.

## 4.3 METHODOLOGY

### 4.3.1 OVERVIEW OF METHODOLOGY

SI assessed implementation fidelity through Evaluation Question 1 by documenting the original design of the Facility, how and when changes occurred to the design, and the reasons for those changes. Through this process, SI generated a timeline of the changes, accompanied by a narrative description of the major changes, to serve as a record of the evolution of the Facility. This assessment speaks to both stated purposes of the evaluation, which are to inform the design of future grant facilities and provide accountability surrounding changes and adaptations throughout the course of implementation.

The implementation fidelity assessment began with a thorough **document review** to generate an initial timeline of changes and decisions made related to the evolving design of the facility prior to arrival in Jakarta for data collection. In Jakarta, the evaluation team undertook a series of **facilitated discussions** with select MCA-I staff who reviewed the timeline to take comments, edits, and suggestions, resulting in the revised timeline that appears in the response to Question 1. Through the course of these discussions, the team delved deeper into the reasons why each change occurred and the impact of each change. In instances where a single respondent's edits to the timeline conflicted with the dates listed in the document review, the evaluation team deferred to the document review if the same date appeared in more than one document. The implementation fidelity assessment, or Evaluation Question 1, focuses only on the GPF, PLUP, and GK, not on the Portfolios supported by the GPF.

The remaining evaluation questions were answered through a performance evaluation, which employs a primarily qualitative approach comprised of document and literature review, key informant interviews (KIIs), focus group discussions (FGDs), and an online survey. The response to each evaluation question used a combination of these methods, though leveraged differently depending on the particular approach to answering the question. Furthermore, the findings to each

of these questions address both the “facility-level” perspective and the “portfolio-level” perspective, where feasible and relevant, consistent with MCC’s request that the evaluation undertake portfolio-level studies to document the unique experiences of each portfolio as it relates to how they interacted with the Facility. The approach to each question is summarized below, with the methods described in greater detail in sections 4.3.2–4.3.5.

*Evaluation Question 2: Is the GPF an effective model to achieve the objectives and/or delivery of grant funding? Why or why not?*

Quantitatively, a model or a project is judged on effectiveness based on how well it is achieving its objectives or targets. SI collected data on explicit and implied targets and results in achieving those targets. Though SI included other facilities in the literature review to identify mechanisms that could act as a point of comparison, the team determined that none of these facilities serve as a suitable comparison for GPF. This included a review of other relevant MCC approaches and models. Additionally, the team was unable to gather cost or final disbursement data for these facilities or models, as this is not publicly available information. The team then reviewed a sample of grantee documents to determine the linkages between individual grantee objectives and requirements and the overall GP objectives, using GP requests for proposals, work plans, grantee M&E plans, grant applications, and award documents. The team then used KIIs and the online survey to understand how the design of the GPF aligns or differs from the design of other facilities, in MCC and more broadly. The team also conducted limited KIIs with select donor organizations that have similar objectives to GP to explore the ways they are programming, noting key similarities and differences with GP.

The online survey of grantees (both active and terminated) and grant applicants served to identify the enablers and constraints presented by the GPF model, and the team triangulated with select KIIs of grantees to delve deeper into their experience with the GPF model and how that compares to other funding models they have experienced. To further answer the sub-question around the beneficial and detrimental aspects of the Facility, SI conducted FGDs with MCA-I staff and grant implementers (separately), allowing the team to identify points of consensus and disagreement among these groups.

To assess alignment, the team considered the three higher-level outcomes: (1) reduced reliance on fossil fuels, (2) increased economic activity through the use of land or electricity, and (3) improved sustainability of landscape through improved land conservation and reduced deforestation. The team followed a three-step assessment process to determine whether the grant approach resulted in a set of grants aligned with one or more of the three objectives. The first step was to see whether the call for proposals (CFP) and the selection of qualifying grants led to activities that support the objectives. The second step was to review the feasibility studies and ERRs to see whether the projects were evaluated on the basis of activities that aligned with the objectives. The third and final step was to visit a sample of the projects to confirm that feasibility studies were translated into actual activities.

*Evaluation Question 3: What key results did the GPF have with respect to processes, policy, or sustainability?*

SI used KIIs with MCC and MCA-I staff and grant implementers to understand their perspectives on the key results of the GPF at both the Facility and Portfolio levels, as well as the efforts undertaken to improve quality of grants at each stage of the GPF. For each result identified, the team corroborated with the document review and the online survey to gather further information from grantees and

grant applicants on the efforts GP took to improve the quality of grants and results related to process, policy, and sustainability.

To assess the Facility's screening processes, the team compared the number of grant applications to the number of grants that made it through to each round, as well as reviewed the selection criteria to determine whether the selection processes were effective at screening out applications that would not have been successful. Additional data were used from the online survey, which provided a broader perspective to enrich the interviews.

#### *Evaluation Question 4: Was the GPF cost effective?*

Cost-effectiveness analysis (CEA) is used to determine the most cost-effective option for achieving a pre-defined set of objectives;<sup>32</sup> in the case of the GPF, this would be reduced GHG emissions and increased household income. Because several grants were still operating at the time of data collection, it was not possible to assess effectiveness by assessing whether they have achieved these high-level outcomes. Therefore, the approach to this question focused primarily on documenting the costs of the GPF and the total value of completed grants, as well as progress against GP's output and outcome indicators. This gives MCC a measure of the cost to yield productive grant funding.<sup>33</sup> The team sought to draw comparisons across similar facility-type models and to draw conclusions regarding the benefits realized per dollar of expenditure. However, detailed data on other MCC grants or grant facilities was not available, and the team could not identify any facilities that are truly similar.

The approach to answering this evaluation question relied heavily on document review, with KIIs with MCA-I and grantee staff to triangulate findings and validate conclusions. The evaluation team sought to answer this through a sampling of the Economic Rate of Return (ERR) spreadsheets, a review of the accompanying feasibility studies, site visits, KIIs, and discussion with the MCA-I economists. The team examined the following elements:

- The items included in the benefit streams, e.g., honey, food crops, electricity, household stays, timber, or cocoa;
- The quantity of the benefit item, e.g., kWh of electricity produced, yield of crop per hectare per season, or the increase in yield from the project;
- The value of the benefit (e.g., the price of cocoa) and the methodology used to calculate the benefits;<sup>34</sup> and
- The source data or study to justify the benefits (when such a study existed).

The team had to rely on secondary data for its "back of the envelope" analysis. Thus, just as the MCA-I economists had to, for example, take the yield per hectare provided by the grantee and the expert analysis through the TAP, the team similarly had to rely on this information.

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<sup>32</sup> Annex 1: Cost-benefit analysis versus cost-effectiveness analysis, Water Governance in the Arab Region: Managing Scarcity and Securing the Future, [http://www.bh.undp.org/content/dam/rbas/doc/Energy%20and%20Environment/Arab\\_Water\\_Gov\\_Report/Arab\\_Water\\_Report\\_AWR\\_Annex%20I.pdf?download](http://www.bh.undp.org/content/dam/rbas/doc/Energy%20and%20Environment/Arab_Water_Gov_Report/Arab_Water_Report_AWR_Annex%20I.pdf?download).

<sup>33</sup> The team considers a productive grant to be one that successfully received an award and completed the full grant period of performance (rather than closing early).

<sup>34</sup> For most projects this just entails a financial spreadsheet calculation as shown. In the case of RE, when the output is providing unserved demand, another methodology is used to arrive at the benefit stream. The ERR is calculated using the same financial spreadsheet method as all other projects. The methodology for unserved demand is discussed below.



*Evaluation Question 5: What were the key successes, challenges, and lessons learned with respect to operationalizing the GPF at each stage of work?*

SI drew the findings for this question from all data sources, and these emerged readily through the KIIs, FGDs, and survey with all respondents. The successes and challenges at each stage from the MCC perspective were clearly documented in the Annual Reviews and Aide Memoires, and the team also asked targeted questions about successes and challenges at each stage through the KIIs, FGDs, and online survey.

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#### 4.3.2 DESK REVIEW

The quantitative data available through desk review consisted largely of monitoring and cost data, as well as scorecards that MCC/MCA-I may have used in assessing grantee applications. The team used **monitoring data** (at both the Facility and Portfolio levels) to identify key results and achievements of the Facility and the grant portfolios, as well as any areas where the GP Project failed to achieve its targets.

To assess cost effectiveness (Evaluation Question 4), the team reviewed **cost-related data** for the Facility and for grantees. A CEA necessitates a determination of the total cost of the GPF, as well as the total cost of other models intended to reduce GHG emissions to serve as a basis for comparison. Unfortunately, the cost data for other models is not publicly available, so the GPF evaluation focused on documenting the costs of GP relative to the amount of funding disbursed to grantees. SI obtained data related to the cost of establishing and administering the Facility itself, including level of effort, consultant and contractor costs, and MCA-I costs. At the Portfolio level, SI requested cost data for each of the grantees, including economic rate of return estimates.

SI also reviewed all GPF documents made available to the team and a purposive sample of grantee documents (including but not limited to Operational Guidance; M&E plans; grant agreements, proposals, and amendments; the Social and Gender Integration Plans; annual and quarterly reports; memos; and calls for proposals) prior to arrival in Jakarta for data collection in November. Additionally, the team conducted a literature review of GoI policies and guidance documents related to the GPF and Portfolio outcomes, as well as relevant MCC policies and guidance documents (including the Gender Policy, LLA guidance, and Facilities Guidance). The review of project documents was considered a first iteration toward answering all of the evaluation questions and allowed the team to identify gaps in information that need to be filled in during fieldwork.

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#### 4.3.3 ONLINE SURVEY

Following the data collection event in December, SI administered an online survey through SurveyGizmo to all grantees (both active and closed/terminated) and grant applicants to collect structured responses related to Evaluation Questions 2a, 3a, 3c, and 5. The team administered the survey *after* data collection as a means to fill in gaps and corroborate data collected through KIIs and the desk review, as well as providing a more comprehensive view of the grantee landscape across portfolios.

The online surveys were anonymous but required respondents to identify the portfolio or sector of the grant to enable the research team to triangulate the findings from KIIs and document review with sector-specific considerations. All grantee key contacts who received the survey were identified by MCA-I and included a range of personnel supporting each grant to ensure equity in responses. The survey was sent to 669 active contacts and received 92 responses (a response rate of 13.75%). Survey

respondents represented all windows and Green Knowledge. A summary of survey respondents can be found in Section 8.5 summary survey statistics.

#### 4.3.4 KEY INFORMANT INTERVIEWS

SI conducted individual, group, and key informant interviews with a range of stakeholders that provided insight and perspective to the GPF evolution, management, and operations. The interviews explored critical success factors, challenges or barriers to success, and results at both the Facility and Portfolio levels, as well as gender-related outcomes. The interviews were semi-structured in nature, ensuring that the team gathered data related to the evaluation question, but with the flexibility to add probing questions based on respondents' answers. Each interview lasted no longer than 90 minutes (including time required for translation) to respect respondents' other daily obligations. Prior to each interview, the team identified the highest priority questions to cover with that respondent to ensure collection of the most pertinent data to answering the evaluation questions (in light of data already collected). SI held 82 in-person and remote interviews in Washington, Jakarta, and in selected districts in Indonesia. The table below describes the key informants for this evaluation.

**TABLE 7: SUMMARY OF KEY INFORMANTS**

Respondent Type	Total	KII	FGD
Grantee	52	35	17 (2 FGDs)
MCA-I Staff	23	19	4 (1 FGD)
MCC Staff	10	10	0
GPF Contractors	8	8	0
Government of Indonesia (national and local)	8	8	0
Donor	2	2	0
Total	103	82	21

SI also facilitated discussions with select key informants to add to and validate the timeline (Question 1) and discuss challenges and successes at each stage of work (Question 5).

#### 4.3.5 FOCUS GROUP DISCUSSIONS

SI used FGDs in response to questions 2a and 5, with discussion centering on aspects of the GPF that were beneficial or detrimental to achieving its objectives, as well as successes and challenges. The FGDs took place in December 2017, after preliminary findings had emerged from the November data collection. This allowed the team to refine the FGD questions so that they served to test preliminary hypotheses and fill persisting data gaps. The FGDs were held with both MCA-I staff and grantees in Jakarta and Bogor. Each of the three focus groups was comprised of a somewhat "homogenous" group of individuals (e.g., MCA-I staff, Window 2 grantees, etc.). The SI team had two facilitators for each FGD: one to pose questions and react to responses, and another to ask probing or follow-up questions and keep time. In addition, a note-taker took detailed notes for later analysis. Each FGD lasted approximately 90 minutes. The focus group respondents are described in Table 8 below.



**TABLE 8: FOCUS GROUP PARTICIPANTS**

<b>Respondent Type</b>	<b>Location</b>	<b>Role/Function</b>
MCA-I Programmatic Staff (representing all portfolios) (4 participants)	Jakarta	Offer MCA-I programmatic perspective on successes, challenges, and aspects of the Facility that were beneficial or detrimental to meeting objectives
Grant Implementers (17 participants across 2 FGDs)	Jakarta, Bogor	Offer implementer perspective on successes, challenges, and aspects of the Facility that were beneficial or detrimental to meeting objectives

#### 4.4 STUDY SAMPLE

To select grantees for KIIs, site visits, and FGDs, the team identified geographic locations based on purposive sampling using three primary criteria: (1) number of grantees represented in that location; (2) number of grant windows represented in that location; and (3) number of portfolios represented in that location. With these criteria in mind, the team scheduled KIIs with targeted individuals (purposive sampling) then used snowball sampling for additional KIIs based on grantee availability, stakeholder recommendations, and emerging opportunities throughout fieldwork. As such, the team conducted in-person KIIs in Jakarta, Yogyakarta, Bogor, Bali, Pontianak, Lombok, Jambi, Mamuju, and Makassar, as most implementers are based in these sites, allowing the team to reach a large number of grant implementers with the resources available. Selection of these sites also represents the major implementation geographies of GPF, allowing the team to observe differences not only across portfolios but also across implementation sites.

SI organized FGDs to gain a broader perspective across the grantees and invited all grantees based in Bogor, Bandung, and Jakarta to participate in FGDs. SI also invited purposively selected MCA-I programmatic staff to participate in a FGD.

Because the portfolios differ significantly in terms of number of award, size of award, and duration of award, the team used separate sampling criteria for each of the portfolios, as described in Section 8.3. SI invited most of the grantees to participate in an interview or FGD and was successful in having all portfolios represented in the final sample.

For all other respondent groups (e.g. MCA-I, MCC, GoI, Project Management Contractors), SI used purposive and snowball sampling.

**TABLE 9: SUMMARY OF EVALUATION APPROACH**

Evaluation Question	Key Outcomes	Data Source	Data Type
1. How and why did the design of the GPF evolve over time?	N/A – implementation fidelity	Desk review: Original logic model; revised logic model; Operational Guidance for GPF; memos/documents related to changes in design; board presentations; strategic plans; GoI planning documents.  KII/facilitated discussion with MCA-I staff, board members, contractors, MCC staff, and other relevant stakeholders with historical knowledge	Qualitative, to be summarized in a timeline
a. Did the PLUP Activity feed into the work of the GPF?	<ul style="list-style-type: none"> <li>Spatial certainty regarding local village boundaries and protected land improved, documented, and disseminated</li> <li>Provincial policies and regulations regarding licensing for investment, permit acquisition, and construction clarified and improved</li> </ul>	Desk review: PLUP design, implementation, and evaluation documents; GPF design documents; grantee agreements  KIIs with MCA-I staff (especially window leads and PLUP staff), PLUP evaluation team, grantees	Qualitative
b. To what extent did GK contribute to the GPF?	<ul style="list-style-type: none"> <li>Knowledge captured</li> <li>Best practices documented</li> <li>Models developed</li> </ul>	Desk review: GK deliverables, Petuah grant amendment  KIIs with MCA-I staff, grantees, PMC, GK manager, GK grantees, GP grantees	Qualitative
2. Is the GPF an effective model to achieve the objectives and/or delivery of grant funding? Why or why not?	<ul style="list-style-type: none"> <li>Increased household income</li> <li>Reduced GHG Emissions</li> <li>Project financing disbursed by GP</li> <li>Project financing approved by GP</li> <li>Grant agreements signed and active</li> </ul>	Document/literature review: GPF design documents; other Facility design/application documents; evaluations/summaries of other grant facilities and projects aiming to reduce GHG emissions  KIIs with MCC staff, MCA-I, Project Management Contractors, grantees	Qualitative and Quantitative

Evaluation Question	Key Outcomes	Data Source	Data Type
a. Which aspects of the GPF were particularly beneficial or detrimental to the achievement of the GP Project objectives?	N/A	Online survey with grantees to identify enablers and constraints of GPF model  FGDs with MCA-I staff and grantees  KIIs with grantees	Quantitative: structured survey questions  Qualitative: FGDs, open-ended survey questions, KIIs
b. Did the GPF approach result in a set of grants that aligned with the GP Objectives?	<ul style="list-style-type: none"> <li>Reliable commercial-scale renewable energy provision</li> <li>Reliable community-based renewable energy provision</li> <li>Sustainable agriculture promoted</li> <li>Sustainable forestry promoted</li> <li>Improved NRM practices</li> <li>Improved land use practices</li> </ul>	Desk review to determine type of requirements expected from grantees and outcomes of those requirements, as well as mapping of grantee objectives to GPF objectives  KIIs with MCA-I and grantees	Qualitative
3. What key results did the GPF have with respect to processes, policy, or sustainability?	<ul style="list-style-type: none"> <li>Adoption</li> <li>Policy dialogue</li> <li>Stakeholder engagement</li> <li>Advocacy Campaign</li> </ul>	KIIs with MCA-I, grantees, GoI, MCC  Desk review to corroborate key results raised through KIIs	Qualitative
a. Were the approved grants higher quality than they may have been through other processes?	<ul style="list-style-type: none"> <li>Grant agreements signed and active</li> </ul>	Desk review: grant applications; other Facility grant applications; PMC and Grant Administration Support Team (GAST) documentation  Online survey with grantees  KIIs with grantees, MCA-I staff, Project Management Contractors	Quantitative: Online survey  Qualitative: KII data
b. Did the Facility catalyze	<ul style="list-style-type: none"> <li>Policy dialogue</li> <li>Stakeholder engagement</li> </ul>	KIIs with MCA-I, grantees, GoI, MCC	Qualitative

Evaluation Question	Key Outcomes	Data Source	Data Type
government policy changes, lay groundwork for future investment, or leverage private sector funds using a new approach?	<ul style="list-style-type: none"> <li>• Advocacy campaign</li> </ul>	Desk review to corroborate key results raised through KIIs	
c. Are there indications that investments will continue to have enduring benefits after the lifetime of the Compact?	<ul style="list-style-type: none"> <li>• Adoption</li> <li>• Knowledge captured</li> <li>• Best practices documented</li> <li>• Models developed</li> </ul>	<p>Desk review: grant applications and reports; Green Knowledge documents</p> <p>Online survey with grantees</p> <p>KIIs with MCA-I staff and grantees</p>	<p>Quantitative: online survey</p> <p>Qualitative: desk review and KIIs</p>
4. Was the GPF cost effective?	<ul style="list-style-type: none"> <li>• Increased household income</li> <li>• Reduced GHG emissions</li> <li>• Cost per dollar of final grant funding</li> </ul>	<p>Desk review: operational and activity cost data; grantee budgets; documentation of fundraising strategies; strategic plans; business plans; compact-level financial records; annual reports; Project Management Information System (PMIS) data from individual grant evaluations; grantee monitoring data</p> <p>KIIs with MCC and MCA-I staff</p>	<p>Quantitative</p> <p>Qualitative: staff insights into cost operations and effectiveness</p>
a. How much did it cost to implement the GPF?	N/A	Desk review: operational and activity cost data; grantee budgets; documentation of fundraising strategies; strategic plans; business plans; compact-level financial records; annual reports; PMIS data from individual grant evaluations; grantee monitoring data	Quantitative
b. What did the Facility achieve in terms of grants awarded and outputs or outcomes?	<ul style="list-style-type: none"> <li>• Reliable commercial-scale renewable energy provision</li> <li>• Reliable community-based renewable energy provision</li> </ul>	Desk review: operational and activity cost data; grantee budgets; documentation of fundraising strategies; strategic plans; business plans; compact-level financial records; annual reports; PMIS data from individual grant evaluations; grantee monitoring data	Quantitative and Qualitative

Evaluation Question	Key Outcomes	Data Source	Data Type
	<ul style="list-style-type: none"> <li>• Sustainable agriculture promoted</li> <li>• Sustainable forestry promoted</li> <li>• Improved NRM practices</li> <li>• Improved land use practices</li> </ul>	<p>KIIs with grantees</p> <p>Online survey with grantees</p>	
c. Are the benefit streams modelled in the cost-benefit analyses for the grants appropriate and/or realistic?	N/A	<p>Desk review: ERR and CBA documentation, grant awards</p> <p>KIIs with grantees</p>	Qualitative
5. What were the key successes, challenges, and lessons learned with respect to operationalizing the GPF at each stage of work?	N/A	<p>FGDs with MCA-I staff and grantees</p> <p>KIIs with grantees and MCA-I staff</p> <p>Online survey of grantees</p>	Qualitative

## 4.5 ANALYSIS APPROACH

The quantitative analysis is largely descriptive and comparative in nature, is structured to allow for comparison across grant portfolios, and triangulates findings collected through qualitative methods.

The evaluation team reviewed the Cost Benefit Analyses through a sampling of the ERR spreadsheets, a review of the accompanying feasibility studies, site visits, KIIs, and discussion with the MCA-I economists. This review examined the following elements:

- The items included in the benefit streams, such as honey, food crops, electricity, household stays, timber, and cocoa;
- The quantity of the benefit item, such as kWh of electricity produced, yield of crop per hectare per season, or the increase in yield from the project;
- The value of the benefit (e.g., the price of cocoa) and the methodology used to calculate the benefits<sup>35</sup>; and
- The source data or study to justify the benefits (when such a study existed).

The team, similarly to MCA-I economists when conducting the CBAs, relied on secondary data and sectoral knowledge for the “back of the envelope” analysis.

SI took detailed notes of KIIs and FGDs to allow the team to generate interview transcriptions, then uploaded the notes into a qualitative analysis platform (Dedoose) for coding. The coded responses allowed the team to transform qualitative data into quantitative tabulations where possible and appropriate; however, it is important to note that because the respondent sample per portfolio is relatively small, in most cases it is not appropriate to quantify the qualitative data generated at the Portfolio level.

Each question in the KII and FGD protocols had a direct link to an evaluation question (or component of an evaluation question) and was categorized according to those linkages during data analysis. The findings generated through these methods were interpreted in the context of findings generated through other qualitative and quantitative methods described above and triangulated accordingly.

SI developed a standard codebook for Evaluation Questions 1, 2, 3, and 5 to allow for thematic analysis across respondents and respondent types. For Evaluation Question 4, a standard codebook was not necessary, as the number of key informants able to provide pertinent information was relatively small.

## 4.6 TIMEFRAME

SI collected data in several rounds from August 2017 through January 2018. The data collection took place toward the end of the Facility period but prior to the closeout of operations so that the team could still meet with individuals before the grants were closed or completed. Because three of the five team members were based in Indonesia, the team was able to collect data on a rolling basis, with each data collection round serving to fill in gaps from the previous round. The table below summarizes the data collection rounds:

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<sup>35</sup> For most projects this just entails a financial spreadsheet calculation as shown. In the case of RE, when the output is providing unserved demand, another methodology is used to arrive at the benefit stream. The ERR is calculated using the same financial spreadsheet method as all other projects. The methodology for unserved demand is discussed below.

**TABLE 10: DATA COLLECTION ROUNDS**

Timing	Location	Purpose
August 2017	Jakarta, Washington, D.C.	Evaluability assessment to finalize the purpose of the evaluation and evaluation questions.
November 2017	Indonesia, various locations	KIIs with MCA-I staff, grantees, Project Management Contractors, GoI
December 2017	Washington, D.C.	KIIs with MCC
December 2017	Indonesia, various locations	KIIs with MCA-I staff, grantees, GoI; FGDs with MCA-I and grantees.
January 2018	Indonesia, various locations	KIIs with grantees, GoI

## 4.7 CHALLENGES AND LIMITATIONS

SI was able to address all of the key questions outlined in the evaluation design; however, challenges to obtaining data prompted alternative methods for addressing some questions.

Because many of the grants were recently awarded (within the past 18 months) and were not through the project cycle, it was not possible for the team to measure long-term (or even short-term) outcomes. As such, the team could only comment on perceived contribution thus far toward meeting GP objectives, which will most likely not yet be realized, and relied on monitoring data provided by MCA-I. This presented some limitations in assessing sustainability and likelihood of enduring benefits of the GPF and the portfolios using project results. However, the evaluation shows some clear indications through qualitative responses to interviews and analyzed quantitative results of the online survey.

Furthermore, although Indonesia is involved in several funds that have objectives related to reducing GHG emissions, there is no single facility that serves as a perfect or near-perfect comparison to the GPF, as the objectives of other facilities are often more narrowly focused or much broader than GPF, have significantly different funding amounts or parameters, are not subject to fixed timeframes, and/or fund grants in sectors outside of those supported by the GPF. Additionally, detailed cost, outcome, and design data were not publicly available for facilities identified through the literature review, so the team cannot draw reliable comparisons related to effectiveness, cost-effectiveness, or efficiency. The team expanded the search for comparable facilities beyond those focused on climate change and GHG emission reduction, and again did not find sufficient data available to generate comparable measures of cost. As such, the team has provided a figure for the costs of the GP Facility so that MCC can use it as a point of comparison for internal analysis with other MCC facilities, as these would be the most comparable models in terms of scope, duration, and administration.

When evaluating cost effectiveness, the ideal method would involve measuring the cost of achieving GPF's objectives as the ratio of the monetized objectives to their cost, and then comparing to other similar models. The objectives would be quantified and valued and then summed to one measure of the benefits expressed in US dollars. In other words, cost effectiveness is measured by the ratio:

$$\frac{\$ \text{value of benefits from the grants}}{\$ \text{all grant-related costs}}$$



However, this was not possible with the available GPF objectives and the data. These objectives are: (1) reduced reliance on fossil fuels measured, for example, as reduced GHGs, (2) increased economic activity through the use of land or electricity measured, for example, as the income generated through these measures or the cost reductions, and (3) improved sustainability of landscape through improved land conservation and reduced deforestation measured, for example, as increased incomes or GHG emission reductions or avoided, or even the increase in land productivity. None of these objective measures were available at the time of data collection. Moreover, none of the environmental benefits of the grants were measured. Therefore, the response to question 4 focuses on the costs of implementing the GPF, which will provide a point of comparison that MCC can use when considering cost effectiveness relative to other future facilities.

The costs documented in response to question 4 include GPF and MCC staff, travel costs, subcontractors, rent, benefits, office supplies, and the actual funds set aside for grants and studies. Additionally, SI has included the cost of “unsuccessful” grants in the calculation of total cost. “Unsuccessful” grants at this stage were accepted grants that had received disbursements but were later terminated or left the program. Although SI received some information regarding which grants were terminated, this information was incomplete, resulting in an imperfect measure of the cost to provide grant funding.

In examining the benefit streams, the evaluation did not have the resources to look at each individual grant ERR. Rather, the team examined a sample with the greatest emphasis placed on the methodology and how it was used in the sample. The evaluation was thus limited to accepting major assumptions when they were backed by experience on similar activities and supported by the TAP and feasibility studies. For example, the introduction of solar PV for water pumping where farmers traditionally rely on rainfall is an accepted use of solar and economical in some cases. It is likely to result in greater yields, additional cropping, or both. Regarding the expected increase in output, though, the team had to rely, as did MCA-I, on the estimates provided by the grantee.

At the Portfolio level, SI collected qualitative data from 40 of the 83 (48%) non-TAPP grants. All grantees were included in the sample for the online survey. Because of the small number of selected grants in some of the portfolios for qualitative data collection (particularly Window 2 grants), it is not possible to generalize the findings beyond the grantees interviewed to be representative of the entire portfolio in the country, though the team will note areas of similarity or difference across portfolios. Though not statistically representative, findings are indicative and may be useful to policymakers or designers of future facility-type activities.

## 5.0 FINDINGS

### 5.1 FINDINGS AND CONCLUSIONS FOR EVALUATION QUESTION 1

#### FINDINGS

*How and why did the design of the GPF evolve over time? Did the PLUP Activity feed into the work of the GPF? To what extent did GK contribute to the GPF?*

#### *How and why did the design of the GPF evolve over time?*

The GP Project was designed to promote environmentally sustainable, low-carbon economic growth consistent with the GoI's development and climate change strategies.<sup>36</sup> Through a combination of technical assistance, grants, and commercial financing, GP sought to help communities improve land management practices and design and implement economic development activities that enhance livelihoods and protect critical ecosystem services. More broadly, GP aimed to help foster greater, greener, and smarter outside investment in Indonesia by improving the basis by which land use decisions are made and by creating incentives for increased deployment of cleaner technologies.<sup>37</sup> GP came about through a GoI/Bappenas-led proposal process in June 2010 to identify the sectors that the Indonesia Compact would focus on. Through this process, the GoI received approximately 400 proposals from local institutions across Indonesia, which then were narrowed down to 13 concept papers for MCC's consideration. One of the individuals responsible for reviewing the concept papers noted that none of the concept papers submitted to MCC fully met their expectations, but they did point to priority themes for the government of Indonesia. These themes led to the current projects on nutrition, procurement modernization, and Green Prosperity, which covered about half of the concept papers. GP also considered U.S. priorities for programming, including international commitments made on reducing GHG emissions and promoting green growth.

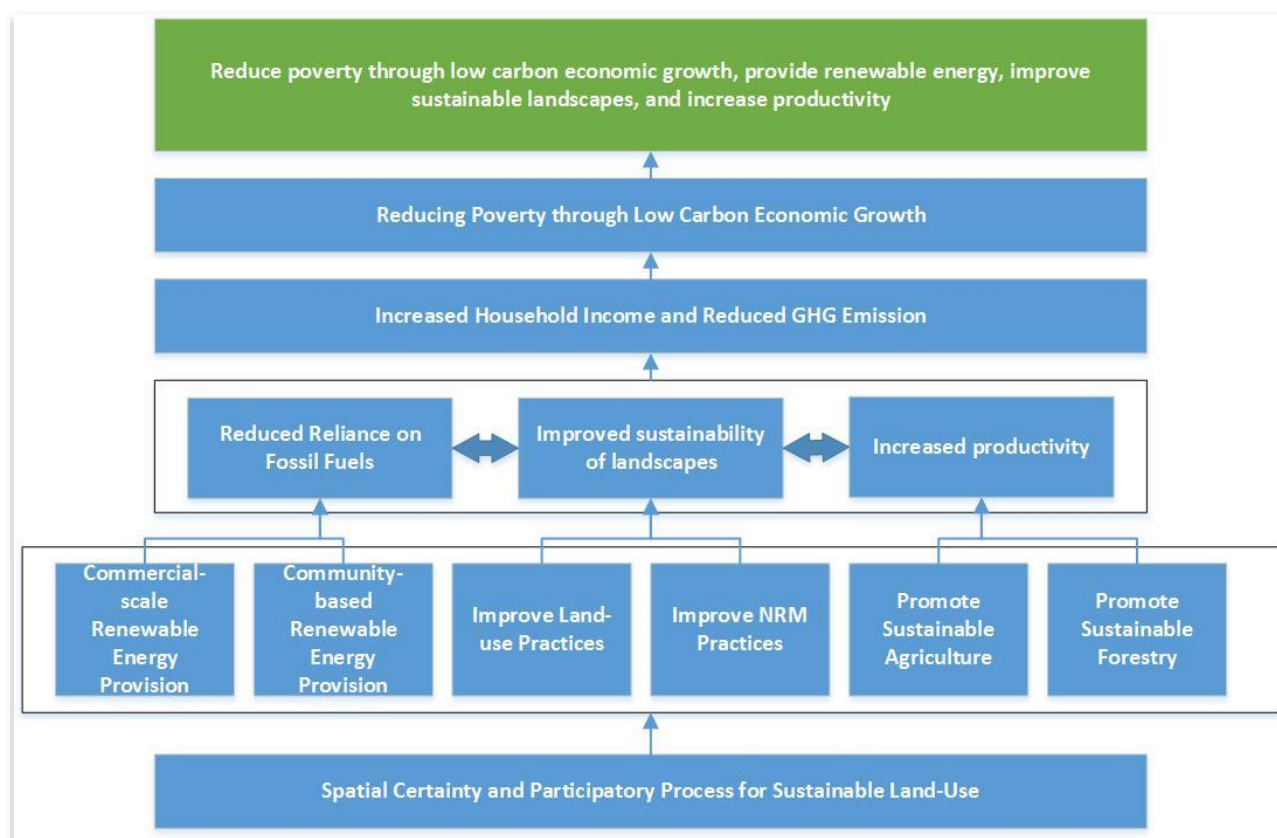
The GP Facility, the centerpiece of the GP Project, is a funding facility designed to finance investments in commercial scale and community-based renewable energy (less than 10MW), sustainable natural resource management (NRM), and community-based NRM projects to promote sustainable landscapes and land use practices. It was designed to be complemented by the Participatory Land Use Planning (PLUP) Activity and Green Knowledge (GK) Activity. The original whole-of-GP design is represented through the logical framework presented in Figure 4:

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<sup>36</sup> Including the National Midterm Development Plan, the National Greenhouse Gas Emission Reduction Action Plan (RANGRK), and the Regional Spatial Plans (RTRW).

<sup>37</sup> Investment Memorandum on Government of The Republic of Indonesia Proposed Compact, August 2011.

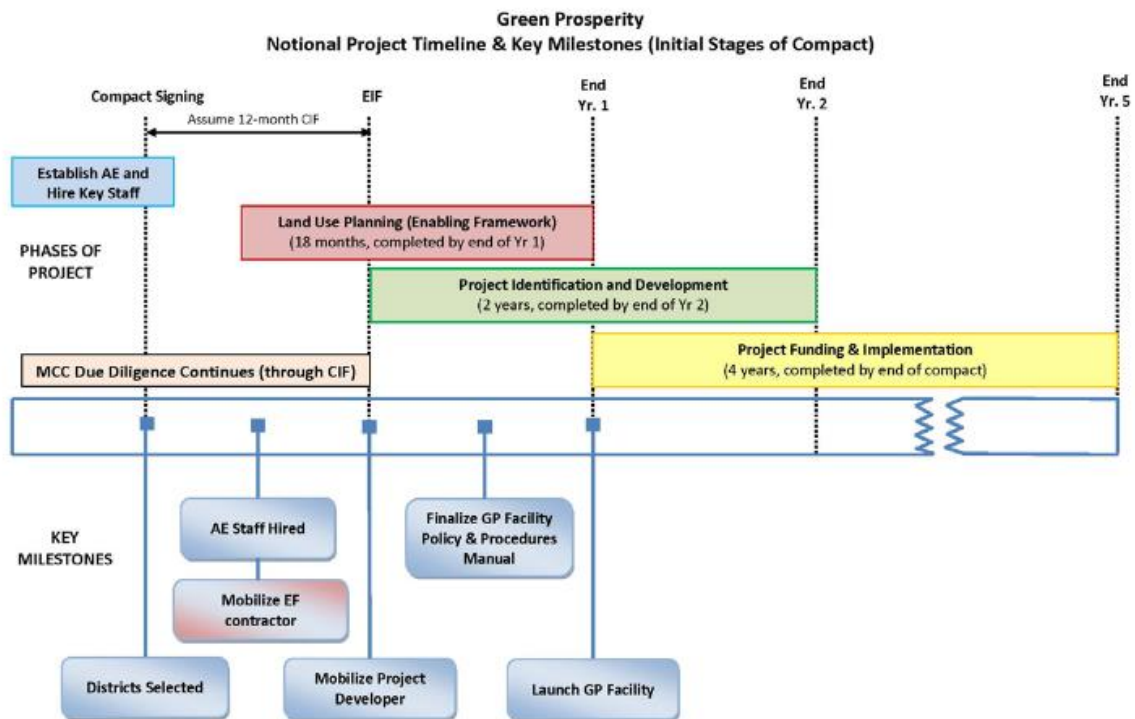
**FIGURE 4: INITIAL GP LOGICAL FRAMEWORK**



The PLUP activities were intended to precede the Facility investments so that the “projects funded by the GP facility are designed on the basis of accurate land use and spatial data and adhere to and reinforce existing national laws, regulations, and plans.”<sup>38</sup> In the words of one MCA-I staff member, “PLUP should be the barrier removal, GPF the machinery to sort out problems, GK to feed knowledge into policy discourse.” The timeline put forward in the Investment Memorandum supports this understanding, as shown in Figure 5 below.

<sup>38</sup> Investment Memorandum, August 2011.

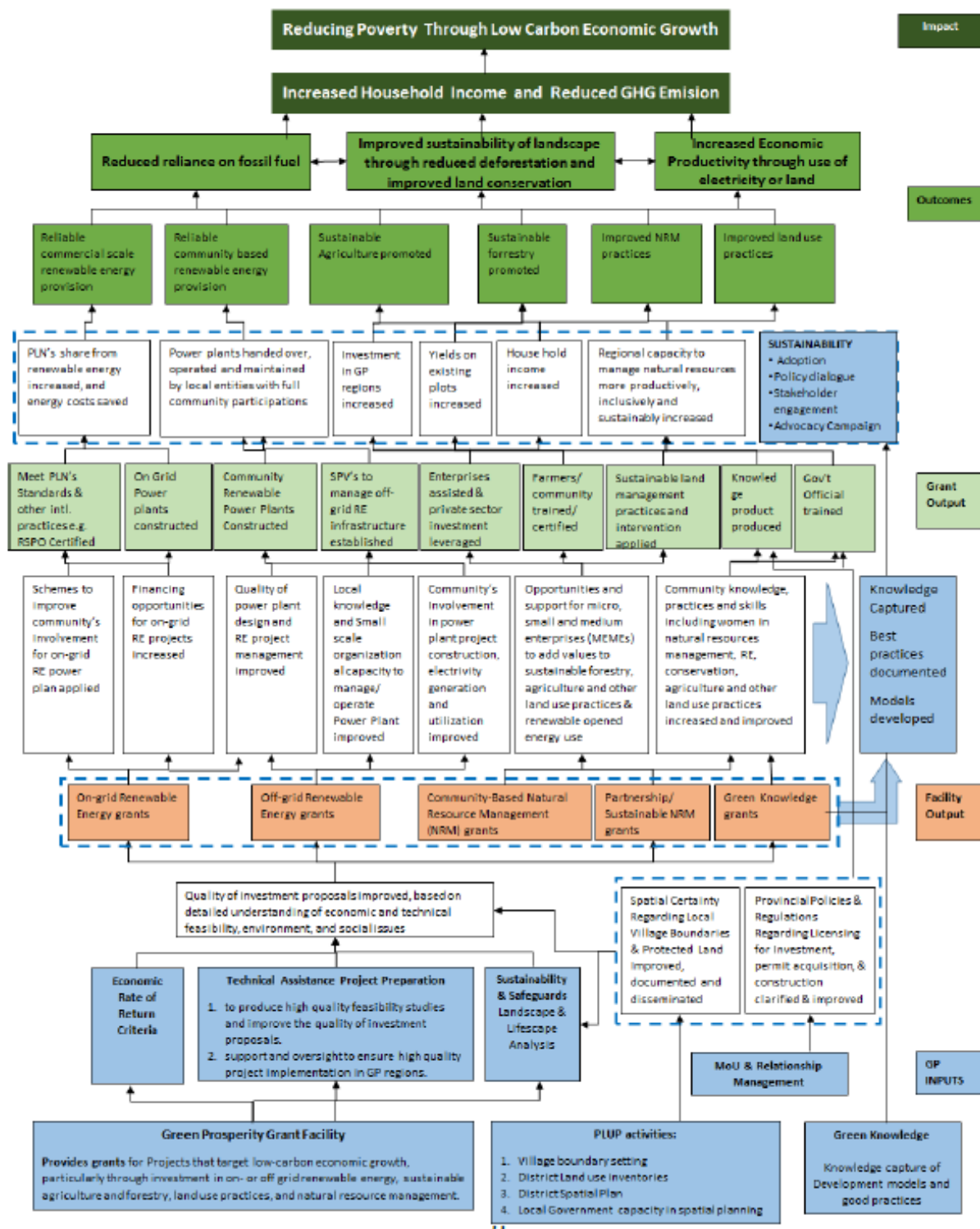
FIGURE 5: GP TIMELINE 2013<sup>39</sup>



In practice, though, the timeline was pushed, with the vast majority of GPF activities occurring in a two-and-a-half-year period between July 2015 and December 2017. Through the course of implementation, MCA-I revised the project logic model in 2016 to provide additional detail and to better reflect the implementing reality. Figure 6 shows the current logical framework for GPF and more fully encapsulates the range of activities supported through GP.

<sup>39</sup> Source: MCA Monitoring and Evaluation Plan, July 2017.

FIGURE 6: REVISED GPF LOGICAL FRAMEWORK



Below, we outline the changes that occurred and their impact on the design of the GPF. The impact of the late start of PLUP will be explained upon in the response to the next question.

### *Facility Unable to Make Loans*

In April 2014, the MCC VP ruled that the GP Facility would only issue grants, instead of both grants and loans as was originally intended. This decision came after protracted discussions between MCA-I, MCC, and the Ministry of Finance around Government Regulation PP20/2011, which limits government entities from engaging in financial lending unless the entity is a local government or state-owned enterprise with legal lending permission.<sup>40</sup> Originally, MCC and MCA-I had planned to award grant funding to projects for small-scale renewable energy technology and improved natural resource management, and loans to support large-scale renewable energy financing.<sup>41</sup> MCA-I and MCC spent over a year pursuing strategies to legally make loans, including establishing a relationship with SMI, through which they planned to channel funds to be on-lent. The project documentation shows that, though MCC and MCA-I could have continued to explore the legal barriers to making loans, Compact leadership decided that no further time should be spent on the issue and that the Facility should move forward with making grants only.

### *Delayed Operations Manual*

The decision to shift away from loans coincided with the release of the first call for proposals (CFP) in April 2014 for the Sustainable Cocoa Partnership. The Operations Manual was a critical Condition Precedent (CP) to unlock funding for the GPF, and none of the CFPs could be released until it was completed.<sup>42</sup> In addition, each “window” needed to develop an annex to the Operations Manual prior to releasing funds. Respondents and the GP documents point largely to staffing issues as the main driver behind the long period of Operations Manual development. The staffing issues tend to fall into two categories: mismatched skills and vacant positions. These issues are discussed further in response to Question 5. MCC acknowledged that the MCA-I team is strong technically but did not possess the executive and project management skills necessary for a successful Facility launch. These issues culminated in the removal of the Executive Director and GP Project Director in December 2014, which was followed by improvements in performance and streamlined business processes. Three respondents within MCA-I and MCC also noted that the cohort of staff hired during the design of GP were not familiar with grant mechanisms and were better versed with procurement mechanisms, which flowed down into the design. Additionally, MCA-I and MCC were only able to hire critical positions for the Facility, such as the GP Technical Advisor, Grants Technical Advisor, and Deputy Resident Country Director, in May 2014, a year after the EIF and more than two years after the Compact was signed.

### *Grant Windows*

Throughout 2014, MCA-I began conceptualizing the window approach, with grants awarded through all windows by mid-2016. The windows indicate the differing responsibilities of grantees. Table 11 below describes the window structure:

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<sup>40</sup> Aide Memoire, 2013.

<sup>41</sup> Annual Review, 2014–2015.

<sup>42</sup> Annual Review, 2014–2015.

**TABLE 11: GRANT WINDOWS**

Window	Grantee Responsibilities <sup>43</sup>
Window 1: Partnership	Projects must leverage private sector or other outside funding to promote increased investment in RE, NRM, and improved land-use practices in targeted landscapes or value chains. MCA-I will provide a 1:1 match of leveraged funds, and grant partner must provide a minimum \$1 million of their own funds.
Window 2: CBNRM	Projects may receive up to \$1 million in grant funding for NRM projects that are aligned with GPF outcomes. This window primarily targets local NGOs, cooperatives, community groups, or other legally-constituted organizations.
Window 3a: Community-based Off-grid RE	Projects must be public-private partnerships, characterized by partial community-ownership, management, and maintenance. The applicant should delineate the proposed structure, management, and operation of the Special Purpose Vehicle (SPV) that will own the project.
Window 3b: Commercial On-grid RE	The projects should apportion a percentage profit share toward Corporate Social Responsibility (CSR) and/or Environmental Services (ES) activities. All projects need a power purchase agreement (PPA) with <i>Perusahaan Listrik Negara</i> (PLN) to proceed.

The reason for the windows is disputed among respondents. One respondent on the Board of Trustees suggested that it was a mechanism to model different grant schemes (partnership versus pure grant) to compare results and show the possibilities so that the government of Indonesia could later take it on, while seven respondents across the government of Indonesia, MCA-I, and MCC suggest that it was simply a way to keep the facility moving forward and to push money into grants.

### *Grant Portfolios*

The grants can further be divided into portfolios: Cocoa, Peatland, Sustainable Agriculture, Community-based NRM, RE, Eco-tourism, Women's Economic Empowerment, and Social Forestry.<sup>44</sup> The portfolios, unlike the Windows, emerged organically as the concept for Window 2 was developed and followed trends that emerged through the applications. The CFP for Window 2 was broad, and one respondent suggested that the window was a “social jealousy mitigation” to allow small NGOs in GP areas to receive grant funding, as the remaining windows were supposed to be large grants for large NGOs or corporations. With such broad criteria for acceptable projects, MCA-I staff developed the portfolios to group the projects in a way that allowed for logical management.

### *Timeline*

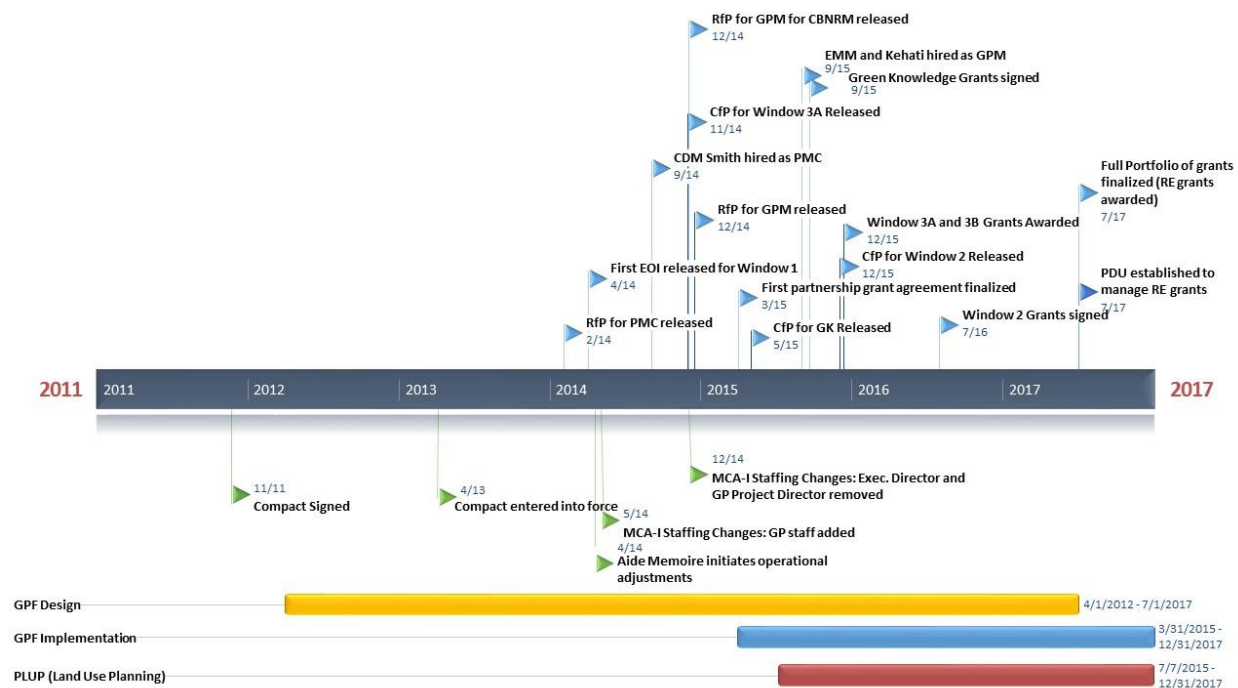
These changes to the design, along with the challenges and delays experienced, resulted in a much shorter timeline for GPF implementation. The final timeline for GP is shown below in Figure 7.

<sup>43</sup> Operations Manual, June 2014.

<sup>44</sup> In 2018, MCA-I decided to organize the grants into just four portfolios: sustainable agriculture (including cocoa), peatland, renewable energy, and social forestry/NRM.



**FIGURE 7: UPDATED GP TIMELINE**



In speaking with MCC and MCA-I staff, there is wide consensus that the design continued well into implementation, summed up with the phrase “building the airplane while flying it.” So, even though all CFPs were released by December 2015, the design of the Facility itself continued to shift after grantees began implementing. Several MCC and MCA-I respondents (12 of 29) noted that MCA-I continued making changes to the Facility across the five-year period of its existence. These changes were accompanied by policy and procedure changes, which (in most cases) were a result of changes to the design itself and further influenced the evolution of the design. The policy and procedure changes for the Facility will be discussed in response to Evaluation Question 5.

MCC staff largely point to the lack of preparation at Compact signature (which continued into the first half of the Facility) as the primary reason for the seemingly never-ending design of the Facility. In the hurry to sign the Compact, and then later the rush to disburse funding, there was greater emphasis on getting CFPs released and awards made rather than on ensuring that the Facility was ready to finance projects. The first Compact Annual Report points to several issues that occurred early on in the life of GP, which had lasting effects on the implementation of the Facility. These included:

- Staffing issues in several forms, including (a) lack of strong leadership at executive and project management levels, (b) staffing gaps in key positions, (c) MCA-I difficulty with MCC procedures, and (d) insufficient MCC presence and oversight of MCA-I; and
- Disagreement among stakeholders in setting out a competitive and transparent process for reviewing and selecting proposals, as well as the overall vision for GPF.

These issues especially impacted the due diligence processes that were intended to inform the design and operations of the Facility. MCC acknowledged that the Compact does not fit the traditional operational model and that the level of preparation needed differs significantly.

Structurally, MCA-I hired several project management contractors to manage the daily operations and technical requirements of the Facility. This began with the Project Management Consultant

(PMC), hired in September 2014 to provide technical oversight to the grantees, ensuring that they were compliant with International Finance Corporation (IFC) standards and MCA-I requirements. MCA-I hired two grant program managers (GPM) in September 2015 to manage the Window 2 grantees. The Grant Administration Support Team (GAST) manages all communication with grantees and ensures that grantee communication is routed to the appropriate party within MCA-I or its contractors. The Grant Management Team (GMT) manages financial reporting and disbursements. Additionally, MCA-I brought on Technical Oversight and Project Execution (TOPE) consultants to support project implementation and oversight for Window 3. Most recently, the Project Delivery Unit (PDU) was established in July 2017 to manage a subset of the renewable energy grants, prompting a reorganization of GP portfolio management. MCC also hired TetraTech to support project implementation and oversight for RE work across all windows. Grantees, and even some MCA-I and MCC staff, agree that this is “too many cooks in the kitchen,” and, while the roles are distinct across the project management contractors, it is perceived to be a cumbersome layout that results in lengthy review processes and confusion about who to contact for various issues.

When exploring the reasons behind the network of project management contractors that resulted from these changes, MCA-I and MCC staff point to the reactionary nature of the Facility and the lack of a fully developed design at Facility outset. In the words of one MCA-I respondent, project management contractors were brought in as “people were learning what they need.” The PMC was intended to be the support system for GP as a whole, as a technical oversight mechanism, but MCA-I then learned of the need for grantee communication and coordination (GAST), end-to-end grant management for CBNRM (GPM), and rigorous financial management and processing (GMT). Furthermore, MCA-I had not anticipated the level of technical assistance that grantees would require when developing the statement of work (SOW) for the PMC. As such, the PMC is focused on compliance with IFC performance standards and review of technical RE deliverables but did not provide technical guidance for the RE grants. MCA-I, likewise, did not provide this technical guidance to the grantees, and there was disagreement among PMC, MCC, and MCA-I over who was responsible for providing this guidance. The PDU came in to fill this need for RE grants toward the end of the Compact period, and TOPE is focusing on the engineering aspects.

There are also number of operational “evolutions” or changes that happened over the course of the GPF, which had less impact on design and more on day-to-day grant administration. These issues are discussed in response to evaluation question 5.

#### ***Did the PLUP Activity feed into the work of the GPF?***

PLUP was initially designed to: (1) put in place the foundational spatial (land use) planning elements needed to enable and sustain the specific investments in renewable energy and natural resource management funded by the GP Investment Facility; (2) improve spatial certainty for communities within the districts eligible for GP investments; and (3) support compliance with environmental, social, and gender performance standards and safeguards.<sup>45</sup> This was to be accomplished through participatory village boundary setting and resource mapping (VBS/RM)<sup>46</sup>, updating and integrating land and other natural resource use plans, and enhancing district and provincial spatial plans. It was originally planned that eligible districts would receive assistance in updating spatial plans and land use inventories to ensure that projects funded by the GP Facility were identified and developed based on accurate, transparent land use data and efficient use of critical ecosystem services.

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<sup>45</sup> Section 1.5 of Appendix A – Description of Services, of the PMAP 1 Contract.

<sup>46</sup> Based on the Ministry of Home Affairs (MOHA) No. 27/2006 on Village Delineation and Demarcation.

As previously stated, PLUP was intended to be a critical input to the design of the GPF and its investments. However, the PLUP contract did not begin until July 2015, after Window 1 and GK grants had already been awarded. These delays are largely attributable to the protracted procurement period for PLUP. After Compact signature, it took many months to develop an RFP, and Abt Associates submitted a proposal for the work in March 2013. The pre-screening, however, did not take place until 2014, and it took another year for the contract to be signed. MCA-I respondents note that this process may have been influenced by turnover in senior positions within GP; furthermore, the first PLUP procurement process did not have the benefit of support from the PMC, as this was not included in the PMC scope of work.<sup>47</sup> For the Facility itself, though, this meant that MCC management pushed for CFPs to be released without the intended spatial certainty in the PLUP districts so that additional time for grant disbursement and implementation would not be lost. MCA-I respondents suggest that this represented a shift from the landscape approach to a Window-based approach, without the rigorous problem identification for each landscape that would have determined the sectors and types of interventions to address the issues. As designed, the GP grants would have been implemented in districts selected through district readiness assessments. The CFPs, however, were open to projects beyond these readiness assessments, which necessitated endorsement of districts that may not have been selected otherwise. In response to this shift, MCA-I pioneered the LLA approach, which each grantee undertook at the outset of its project. The LLA is derived from the Environmental and Social Management System (ESMS) and the Social and Gender Integration Plan (SGIP), giving grantees and other stakeholders information about the existing natural resources, people, institutions, and relationships within a given landscape. Grantees were intended to use the LLA to identify and mitigate risk, reduce elite capture of benefits, and develop strategies for managing natural resources within a landscape.<sup>48</sup> Furthermore, the CFPs were extended beyond the original provinces and districts selected through district readiness assessments, to eventually include 21 provinces in the final CFP for Window 3B.

The first Participatory Mapping and Planning (PMAP) contract was awarded on July 27, 2015, to Abt Associates, and this contract initiated PLUP in the four starter districts (Merangin, Muaro Jambi, Mamuju, and Mamasa) in two provinces. Prior to this contract award, a significant amount of time had elapsed since proposal submission in March 2013. According to the evaluation of the PLUP activity conducted by Social Impact in 2016, MCA-I respondents noted that this lengthy procurement process may have been influenced by turnover in senior positions within GP.<sup>49</sup> Regardless of the reason for these delays, the result was that PLUP began in the same year as the first GP partnership and GK grants, which represents a significant departure from the intended sequencing for GP. MCA-I, MCA-I contractors, and MCC respondents agree that PLUP should have come first, then the TAPP grants, then the Facility, but the Facility was launched before PLUP started. One respondent from MCC said that this sequencing effectively meant that “PLUP was decoupled from the Facility, which unwound the project logic.” Furthermore, the GP target districts were expanded beyond the four starter districts in two to four provinces<sup>50</sup> to eventually include eligible districts across 21

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<sup>47</sup> The PMC was not assigned to help with the first PMAP contract but was tasked to assist with the management of future PMAPs. Source: Indonesia Green Prosperity Participatory Land Use Planning, Evaluation Report, Social Impact, 2016, <https://data.mcc.gov/evaluations/index.php/catalog/180>.

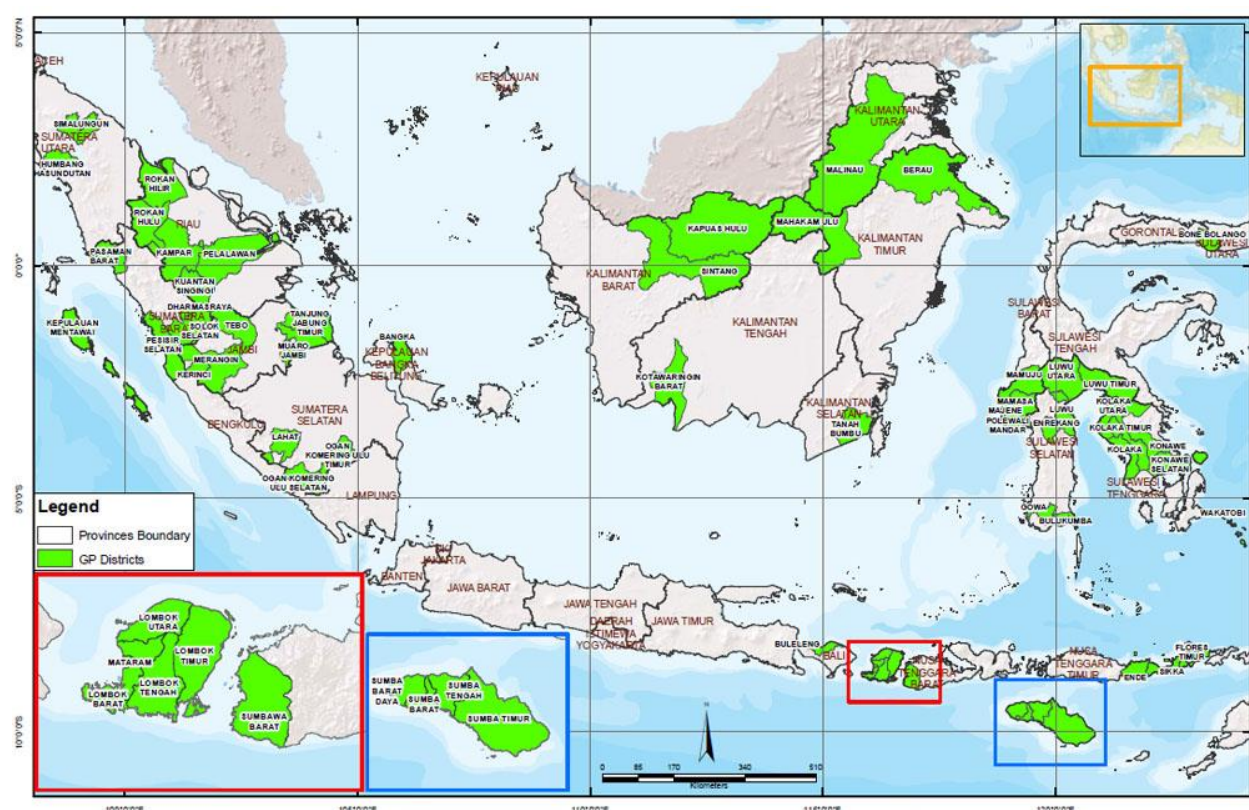
<sup>48</sup> Frequently Asked Questions Landscape Lifescape Analysis, March 2015, pg. 1-2

<sup>49</sup> Indonesia Green Prosperity Participatory Land Use Planning, Evaluation Report, Social Impact, 2016, <https://data.mcc.gov/evaluations/index.php/catalog/180>.

<sup>50</sup> Investment Memorandum on Government of The Republic of Indonesia Proposed Compact, August 2011.

provinces.<sup>51</sup> This expansion allowed MCA-I to release funding more broadly but did not align with the intended logical flow of district selection from spatial certainty.

**FIGURE 8: MAP OF GP IMPLEMENTATION SITES<sup>52</sup>**



When asked whether PLUP had any impact on grantee activities, 93 percent of interviewed grantees that commented on PLUP (13 of 14) stated that they had little knowledge of PLUP and/or did not get any benefit from PLUP. One grantee even stated that they had fed information into PLUP activities but were not able to use PLUP. The survey results, though, suggest that PLUP may have made some contribution to GPF activities: 37 percent of Window 2 grantees (9 of 19) stated that PLUP had contributed to their project planning. The response rate among grantees in other windows is too low to draw any valid conclusions. These respondents noted some key benefits of PLUP, including:

- ensuring that the project or program is in line with the needs of the community,
- minimizing spatial deviation,
- preventing land use disputes, and
- strengthening ownership among stakeholders.

None of the survey respondents, though, shared specific examples of how PLUP contributed to their project planning; rather, the qualitative responses were focused on the benefits of PLUP to project planning more generally. The remaining Window 2 survey respondents had not interacted with

<sup>51</sup> Call for Proposals, Window 3B2, states that projects may be implemented in any of 21 provinces listed. However, GP grants were implemented in only 11 provinces (excluding GK grants).

<sup>52</sup> <http://www.mca-indonesia.go.id/en/project/green-prosperity/project-location>.



PLUP, and one referred to the issue of sequencing, stating that they needed to undertake their own version of participatory mapping and land use planning for their project design.

The relationship managers in the provinces visited by the evaluation team noted that PLUP was still not completed in the selected districts as of November 2017 (though they also remarked that all PLUP work should be finished by December 2017). Though many of the maps are completed in draft form, district officials need to sign off on them before they become official, and only then can they be distributed to the communities. The communities are eager to receive the maps, as they would facilitate work with other NGOs, provide data at the village level, and offer greater legal strength than the existing maps.

### ***To what extent did GK contribute to the GPF?***

Early compact documents present a consistent objective for Green Knowledge, stating that its purpose is to “build local, provincial, and national capacity to drive forward Indonesia’s nation-wide local carbon development strategy.”<sup>53</sup> MCA-I and MCC designed GK to accomplish this objective through three main types of activities:<sup>54</sup>

1. Capacity building for local and provincial stakeholders, including government officials and small and medium enterprises to stimulate a shift toward low carbon development policies and practices;
2. Development and improvement of centers of excellence in science and technology related to low-carbon development through technical assistance to academic environments and the government; and
3. Enhancing other activities in GP by sharing best practices and lessons learned in GP-selected provinces and districts to other parts of the country.

The CFP divides GK grants into two categories: workforce development and knowledge capture/dissemination. The workforce development grant is intended to fund grantees “who are looking at new jobs or changes to existing jobs in response to the issues and opportunities from the broad green economy agenda.” The knowledge capture/dissemination grants were intended to “mainstream knowledge into development practice through capacity building, technical assistance, research, and networking activities.”<sup>55</sup> In speaking with respondents, however, the purpose and activities of GK are less clear. Within MCA-I alone, respondents state that GK should be providing policy modeling and advocacy, developing policy briefs, sharing knowledge, establishing centers of excellence, and addressing the lack of vocational capacity. Overwhelmingly, respondents across MCC and MCA-I stated that GK was supposed to capture and track learning from GP. When reviewing the grant agreements for the seven GK grantees, though, this activity is relatively underrepresented, with only two of the successful GK proposals including mention of capturing knowledge from other GP projects. The CFP does call for applicants to detail “plans for knowledge capture relating to the GP Project and GK Activity and how this knowledge will be stored, published and disseminated”;<sup>56</sup> however, there is not explicit instruction around collecting knowledge from the other GP project grantees themselves. All successful GK proposals do include activities related to knowledge generation, capture, and sharing, but they largely rely on research that is not necessarily related to the activities of other GP grantees.

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<sup>53</sup> Aide Memoir, Annual Review Year 1, August–September 2013.

<sup>54</sup> Investment Memorandum, August 2011; GK Concept Note, November 2014.

<sup>55</sup> Green Knowledge Call for Proposals, pg. 5.

<sup>56</sup> Green Knowledge Call for Proposals, pg. 8.

This minimal level of engagement with the wider group of GP grantees is evident in grantee responses to questions about GK. Of 36 survey respondents, 50 percent were familiar with GK, and the other half had heard of GK but did not know what it was. This is consistent with the findings from key informant interviews. The majority of grantees interviewed did not have a clear idea of what GK's purpose was. Those that were familiar with GK referred to a website that shared lessons learned, a newsletter, and one or two workshops that had been held by a GK grantee. Several grantees called for fora in which grantees could share experiences and lessons learned, commenting that this element was sadly missing from GPF. Seven grantees that were familiar with GK were also asked to submit information to GK implementers about their project activities and were in the process of preparing this information. Six of the interviewed grantees, though, held the perception that GK did not do any knowledge sharing. Furthermore, one MCA-I staff reported that GK has lots of data but is not sharing any of it. Of those that were familiar with GK, none of the grantees claimed that they had leveraged GK materials for their own project improvement; rather, they used the GK materials and resources as “window shopping” to see what other grantees were doing. MCA-I has made efforts to reorient two GK grantees to capture lessons learned from the windows and PLUP, but without tangible results yet. GK also offered little by way of capacity building to grantees (though one example of this GK-grantee interaction exists) or applying learning from GK activities.

When discussing GK with MCC and MCA-I staff, there is widespread agreement that the sequencing of GK was problematic. GK was the first set of grants to be awarded under GP, and the proposals were responsive to the first two stated activities for GK (capacity building and creating centers of excellence). Though the CFP requested that grantees include plans to leverage activity occurring in the region and in other GP projects, GK applicants would not have had concrete knowledge of other GP activities, as none of the other grants had been awarded yet. As such, the proposals were dedicated to describing activities that the GK grantees would undertake themselves to increase capacity, establish centers of excellence, and generate knowledge around their chosen subject area.

In the absence of other GP grants, GK proceeded with implementing its own activities with little connection to the rest of GP. By the time GP grants were awarded through the subsequent windows, it was difficult for MCA-I staff to mandate that they collect and share lessons learned from the other GP grantees, though MCA-I was working with two GK grantees to rescope their agreements at the time of data collection. Three MCA-I staff members suggested that GK should have been procured rather than granted, as this would have given them more leverage to develop clearer terms of reference and hold them accountable to collecting lessons learned from across GP. This issue of sequencing, combined with the expectation that GK would fill a gap in GP's lesson learning and tracking, is closely linked to the prevailing sense (12 of 29 interviews) among MCC and MCA-I staff that GK was ineffective.

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## CONCLUSIONS

The evolution of GPF can most succinctly be likened to making a meal without a recipe. At outset, stakeholders agreed that they needed to create a facility but were not certain of the ingredients or methods required to achieve that end result. As discussions on the design ensued, MCC and MCA-I learned of policy restrictions that forced a departure from the intended means of transferring funds (loans plus grants, to grants only) and then began issuing calls for proposals without the foundational pieces envisioned (PLUP) or the structures and skills in place to serve as a foundation. Throughout implementation, MCA-I continued adding ingredients (e.g., GAST, GMT, portfolios) to keep the facility running. The sense is that MCA-I was constantly reacting or “building the airplane as it is flying.”

Stakeholders agree that design for the Facility took a disproportionate amount of time as compared to disbursement of grant funds and implementation. Though the policy challenges around MCA-I's ability to make loans is a prominent reason cited by respondents for the delay, the lack of skilled leadership emerges as the critical driving factor behind the limited time available for implementation. The number of changes to the Facility's administration and structure after implementation had begun points to a lack of focus in the preparation and design phase.

One of the critical assumptions for GP was that PLUP would inform the landscape approach and priorities of the grants that would follow. In practice, PLUP happened concurrently with grant implementation (and in some cases lagged behind). While grantees recognize the value of PLUP, they did not draw any benefit from PLUP during the period of performance for GP, and the absence of PLUP may have even slowed grantees' planning for their projects. In fact, when grantees had interacted with PLUP through GP, it has been to feed information into PLUP. When PLUP is completed, though, it has the potential to offer significant and tangible benefits to villages and communities by opening up additional sources of funding, resolving longstanding boundary disputes, and facilitating better decision making for local government officials.

If PLUP came too late, GK encountered the opposite issue. The GK grants were among the first awarded through the GPF, so the way the grants were designed was not responsive to any existing GPF activities. As a result, they became standalone activities without the mechanisms for intentional, and contractual, interaction with the rest of the Facility. This is also inherent in the design of GK: the various stakeholders involved in design and implementation of GK had disparate ideas about the purpose of GK. Furthermore, the thinking around the purpose of GK evolved along with the rest of the Facility, so the resultant expectations of GK did not align perfectly with the terms and conditions that GK grantees agreed to. The attempts to realign GK toward capturing lessons learned from the rest of the Facility have not gained significant traction, though isolated successes exist. Because of the misalignment between expectations and the terms of the GK grant agreements, GK interaction with the GP grantees has been mixed, at best. There have been some instances where GK has gathered grantees together to share knowledge, but the majority of interviewed and surveyed grantees were not aware of what GK was or had not had any interaction with GK.



## 5.2 FINDINGS AND CONCLUSIONS FOR EVALUATION QUESTION 2

*Is the GPF an effective model to achieve the objectives and/or delivery of grant funding? Why or why not? Which aspects of the GPF were particularly beneficial or detrimental to the achievement of the GP Project objectives? Did the GPF approach result in a set of grants that aligned with the GP objectives?*

### FINDINGS

*Is the GPF an effective model to achieve the objectives and/or delivery of grant funding? Why or why not?*

The central objectives of GPF, according to its logic model discussed in response to Question 1, are to reduce poverty through low carbon economic growth, provide renewable energy, improve sustainable landscapes, and increase productivity. As stated in the limitations, the majority of grantees had only recently begun implementation, and insufficient time has elapsed to definitively measure achievement at the outcome level. The response to Question 2 therefore focuses on the effectiveness of the model and the perceptions of GPF stakeholders about how effective the model was.

As discussed in response to Question 1, the GPF model changed over time from a primarily lending-based to grant-based model. This makes assessing the effectiveness of “the model” difficult, because it continued to change well into the implementation period for the grants. This evaluation takes the point of departure of “the model” for purposes of evaluating effectiveness to mean the grant-based model that was later implemented. In order to measure its effectiveness given the limitations on outcomes of interest, we analyze the GPF’s ability to disburse funds as well as grant approval and completion rates.

Before discussing effectiveness of the funds disbursed, it is important to analyze the extent to which GPF was effective at disbursing funds. The GPF planned to spend \$253 million at Facility outset in 2014. Table 12 illustrates the best-case spending on grants at the time of data collection for this evaluation against GPF funding targets. Overall, GPF disbursed 45 percent of the funds that it had planned, as of February 2018. The GP team realigned the target for disbursements after this initial target, but the evaluation team is assessing progress against the original design of the GP Facility. The best performance against planned spending was assessed in off-grid community renewable energy (W3A), which is projected to achieve 145 percent of its planned target for disbursements. The Commercial RE (W3B) only reached 7.9 percent of its target. The evaluation team was unable to parse out the specific reasons why some Windows performed better than others in this regard, as in addition to the incomparability among sectors, each Window had different support mechanisms in terms of grantee capacity building and project management contractors. In addition, as shown in response to Question 5, there was a high degree of variability in the quality of individual personnel within GPF. Therefore, any causal determination used as explanation of the variances shown in Table 12 would be anecdotal. However, the response to Question 5 elucidates some of the challenges that were specific to some windows and sectors.

**TABLE 12: GRANT DISBURSEMENT TARGETS AND PERFORMANCE (AS OF FEBRUARY 2018)**

Window	No. Through CED	Committed	Best Case Disbursements <sup>57</sup>	Planned <sup>58</sup>	Target Achievement %
W1 Partnership Grants	6	\$40,058,606	\$30,260,000	\$78,000,000	38.8%
W2 NRM Community Grants	52	\$43,000,000	\$32,700,000	\$45,000,000	72.7%
W3A Off-grid Community RE	5	\$44,586,444	\$43,386,444	\$30,000,000	144.6%
W3B Commercial RE	4	\$7,947,508	\$7,947,508	\$100,000,000	7.9%
Total	67	\$135,592,558	\$114,293,952	\$253,000,000	45.2%

Another measure of effectiveness beyond disbursement is grant approval and completion rates. This signals, in part, the quality of grants issued (see also response to Question 5 in section 5.5) and the effectiveness with which GPF was able to approve grants that were likely to be completed and potentially yield sustainable results (see also response to Question 3 in section 5.3). Table 9 below illustrates the effectiveness of GPF in attracting and retaining projects until the full grant award was completed. As Table 13 shows, of the 582 EOIs, over 75% were nonresponsive or not qualified to be considered. GPF accepted approximately two expressions of interest for every 10 applications it received. Similarly, of those accepted into the proposal phase, about a quarter received a signed Grant Agreement (excluding TAPP grants). Of those, 85 percent were expected to make it to completion at the time of report writing. The reasons cited by members of the Technical Appraisal Panel for grants not moving forward from one stage to the next were either that they did not meet the minimum qualifications or were not technically or financially sound.

Especially notable is the low acceptance rate among Window 3 grantees. When speaking with contractors that applied for grants but did not make it to completion, they point to three factors: (1) the exceptionally long time it took MCA or the PMU to respond, (2) a change in policy that moved from a two-step process to full grant to a three-step process, and (3) the quality of technical review by the PMC. Items 1 and 2 were echoed by KIIs that were considered successful. Respondents from MCA-I also point to the turnover in consultants that assisted Window 3 grantees during the TAPP phase, difficulties with getting Power Purchase Agreements signed, and various issues with technical support from PMC. Respondents from PMC also pointed to issues with the community ownership model, difficulties with getting Power Purchase Agreements signed, and the amount of time required for deliverable development and compliance with IFC performance standards.

<sup>57</sup> The team received this projection in February 2018; however, not all disbursements for the Facility had been completed yet, so this represents a “best case” scenario.

<sup>58</sup> Sources: GPF Presentation, 11/17/2014, “Green Prosperity: Grant Windows for Renewable Energy. AHK Bioenergy Conference, and MCC. Does not include TAPP Grants.

**TABLE 13: GRANT PROPOSAL ADVANCEMENT<sup>59</sup>**

Window	EOIs Submitted (a)	Moved to Proposal Phase	TAPP Grants Awarded (c)	Full Grants Awarded	Completed Grants	% proposals that received grants	Grant completion rate (d)
GK	165	15	0	7	6	47%	86%
W1	96	23	6	8	6	35%	75%
W2	321	90	0	53	51	59%	96%
W3A	N/A	95	21	6	5	6%	83%
W3B1&2	N/A	101	9	11	4	11%	36%
Total	582	324(b)	36	84	72	26%	85%

(a) Window 3 grants did not have EOIs, just CFPs.

(b) This number is inclusive of Window 3 grants. When Window 3 grants are excluded, a total of 128, or 22%, of submitted EOIs were invited to complete a CFP.

(c) Not all TAPP grants progressed to full grants, and not all full grants in Windows 1 and 3 required a TAPP grant

(d) The completion rate looks at completed grants vs. full grants awarded, and is not inclusive of TAPP grants

In the absence of comparable models and their acceptance and completion rates, the team inquired about perceived effectiveness of the model. Reflecting on the effectiveness of the application process, an investment committee member commented, “The proposals came like a wave with high expectations. So many people applied.” One MCA-I grantee suggested that the CFP was not prescriptive enough, which resulted in submission of a high volume of unqualified applications. Other respondents who said the model was not effective often spoke about implementation issues or architecture. Respondents from MCC and MCA-I said that the design was not aligned with the outcomes, but most other respondents argued that the idea and concept are good, and even that the design was good, but the implementation was problematic for effectiveness.

#### ***Which aspects of the GPF were particularly beneficial or detrimental to the achievement of the GP Project objectives?***

The discussion for this question is presented from two perspectives. First, the evaluation team determined unique aspects of the GPF that distinguish it from other models for achieving objectives similar to those of GP and presents findings around these aspects. Second, the evaluation team gathered the grantee perspective on the requirements unique to GP.

The GPF had several defining features that are unique to MCA-I and MCC’s model of investment: the fixed five-year period of performance with no possibility for extension, the use of capacity building and technical assistance, and MCC/MCA-I standards and requirements of grantees.

#### ***Fixed Period of Performance***

MCC’s model is based on a five-year engagement with a country, from EIF to Compact closure. This assumes that due diligence occurs prior to and one year following Compact signature, during which

<sup>59</sup> Source: MCC.

district selection occurs and key staff are hired. The original timeline for GP assumed that PLUP would begin prior to EIF and there would be four years available for the GPF to award and administer grant funding. As discussed in response to Question 1, though, the actual timeline allowed only 18 months of implementation for most grantees. The first grantees to begin (Window 1) had less than three years to complete their grants. Indeed, most grantees interviewed noted that the tight timeline hindered their ability to achieve results, which in turn limited their prospects for reduction of GHG emissions or increased low-carbon growth.

### *Capacity Building and Technical Assistance*

Throughout the grant implementation period, GP and the project management contractors hired by MCA-I provided capacity building and technical assistance to grantees. The approach and level of assistance provided differed among the contractors. There are numerous programs that provide grants for GPF-type activities or capacity building/technical assistance, but few that provide both. Often, a funding facility looks to the applicant to either directly provide or pay for the skills that are needed to meet technical requirements and successfully apply for funding. GPF, on the other hand, pays or provides these skills and then funds successful applicants.

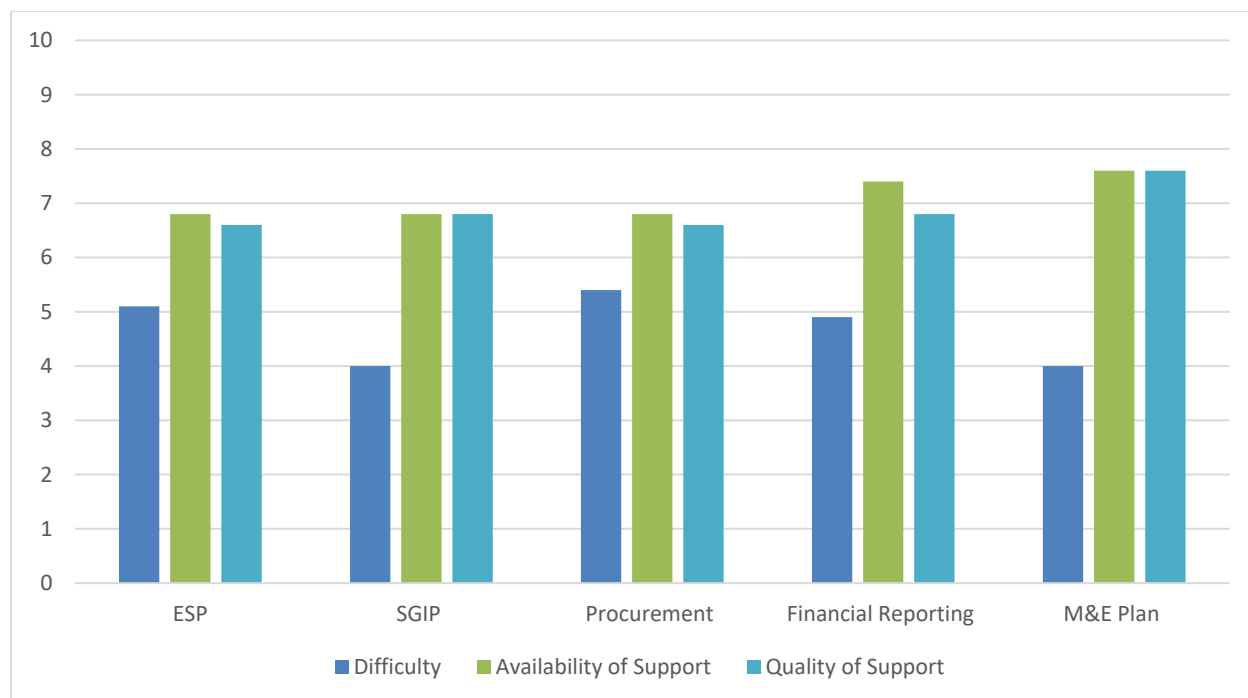
Additionally, there are many programs that assist clean energy. Common issues encountered by these programs include (1) that there are good projects but that the project proponents lack business skills, (2) that these projects often cannot get the early stage financing for TAPP activities that GPF offers, or (3) because of 1 and 2, good projects are not financed.<sup>60</sup> The difference between GPF and these other mechanisms that facilitate clean energy is that GPF combines technical assistance with the early stage funding and funding for actual implementation. Other mechanisms in Indonesia do not address all three areas. For example, the Private Financial Advisory Network (targeting small and medium RE) provides the technical assistance only in business plans, investment financing, and loan applications to get projects from concept to right before financial closure. It relies on the project proponent to find the early stage financing and does not provide any investment funds. The Clean Technology Fund (targeting large-scale RE) provides grants and loans, including early stage financing, but does not provide technical assistance.

Figure 9 provides an overview of grantee responses from the online survey showing some of these areas where the GPF helped build capacity, ranging from general administration of the proposed activity to environmental and social performance guidelines (IFC Performance Standards). The figure shows how grantees perceived the difficulty, availability, and quality of support they received from the GPF. Difficulty was consistently rated below 5 out of 10, and availability and quality were from 6 to 7.5 out of 10, indicating a favorable reflection on GPF support by grantees.

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<sup>60</sup> See for example the Private Financial Advisory Network or USAID's Indonesia Clean Energy program.

**FIGURE 9: TECHNICAL SUPPORT FOR GRANTEES**

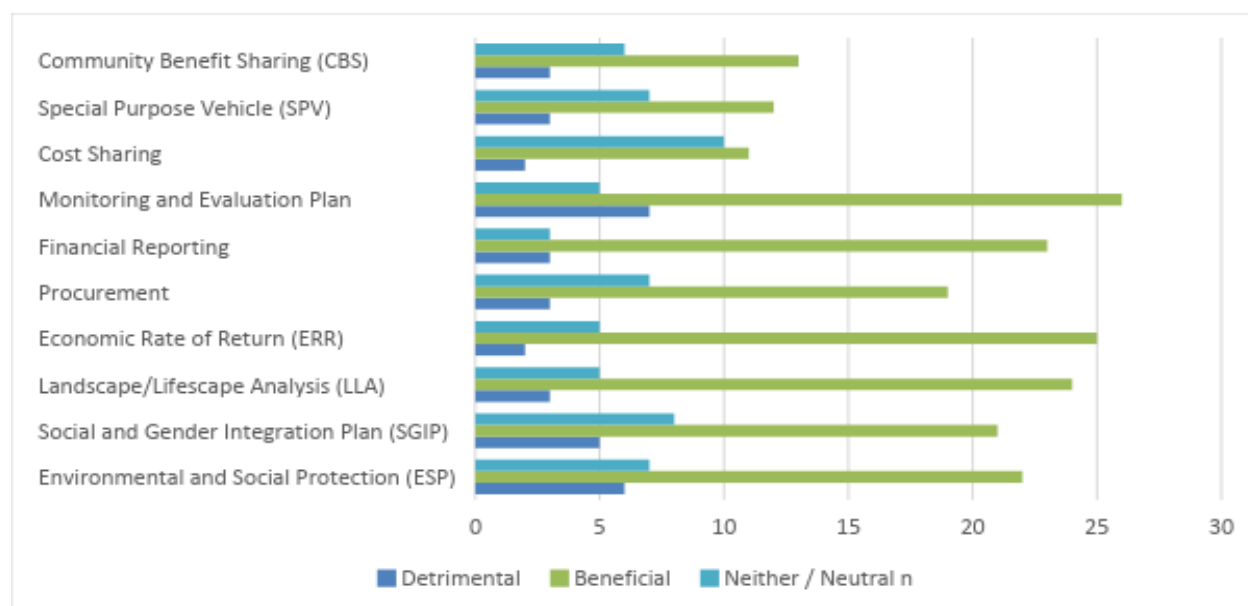


MCA-I staff agree that they had underestimated the level of technical support that grantees would require. The TAPP grants were intended to be six months but ended up requiring closer to 18 months for grantees to have viable projects for Window 3. Furthermore, the quality of the consultants hired for the TAPP period was called into question by several respondents, suggesting that the quality of technical guidance delivered to grantees did not yield sufficient gains in quality, and it took more time to bring grantees up to the quality standards as a result.

The GPMs provided wide-ranging capacity building to Window 2 grantees, on everything from implementation of the cross-cutting requirements to preparation of financial reports and technical issues. Interviews with the project management contractors suggest that there was some confusion regarding roles and responsibilities for capacity building and technical assistance to grantees. For example, when they began working with grantees, the project management contractors needed to work with MCA-I to operationalize the general guidelines and procedures delivered by MCA-I, rather than simply implementing the detailed guidelines and procedures set by MCA-I.

Figure 10 below shows grantee perceptions, based on the online survey, of the benefit (or detriment) of the various aspects of GPF. The GPF aspects evaluated were generally considered more beneficial than detrimental, with the exception of cost sharing, which was nearly rated equally detrimental and beneficial.

**FIGURE 10: BENEFICIAL AND DETRIMENTAL ASPECTS ACCORDING TO GRANTEE RESPONDENTS**



A cursory analysis of the online survey results shows that all the aspects that the evaluation team asked about in the survey were considered as largely beneficial to the grantees. Even the lowest scored aspects were rated by 79 percent of grantee respondents as beneficial. These data are insufficient to make comparisons among windows or portfolios. The aspects of the GPF mentioned in Figure 8 were often referred to by grantee respondents in four ways: (1) challenging, (2) improving capacity, (3) creating administrative diversions and delays, and (4) improving the effectiveness of grant delivery. These aspects are revealed in the discussions on each aspect below, along with responses from interviews with both grantees and non-grantees. Overall, as an MCC respondent described it, these requirements have helped to “raise the bar” for development in Indonesia. That said, another MCA-I manager suggested that several of the aspects analyzed in this section could have been more effective if applied in a more selective way. The respondent gave the example of how gender requirements are alien to Window 3B grantees, while ERR was difficult for Window 2. They suggested that not all processes need to be applied in all contexts.

#### *Environmental and Social Protection (ESP)*

The online survey found broad support for the benefits of the ESP aspect of GPF. Twelve of the 22 respondents who rated ESP as beneficial rated it very highly or highly beneficial. This is despite several respondents calling it “very strict,” as elucidated further in response to Question 5. Interviewed respondents also shared that the ESP was an effective tool. A Window 2 grantee experienced in contracting with international donors mentioned that it was unusual for a donor to specify tools like this, but it was a good process and ensured that the grantee thought through the project to improve overall effectiveness. Another Window 2 grantee mentioned that they changed their programming in response to the ESP, to add, for example, safety standards for workers and the provision of toilets, where they have not done these things in the past but found that it improves the quality of their services.

A GPF senior manager shared another perspective. The respondent mentioned that the ESP requirements were too high, citing that in several cases these standards had to be “negotiated down”

during contract negotiations so that contracts could be signed. A project management contractor responded similarly, suggesting that the basic requirements for approving grants were fine, but the additional requirements, especially the ESP, created additional hurdles that required more field confirmations and, in some cases, inhibited providing grants to strong grantees. The same respondent commented that the ESP criteria were only finalized partway through the grant approval process, so the grants were already partially screened using the base criteria, and then the ESP was added, requiring an additional round of verification. Another MCC manager responded that some MCA-I staff were highly resistant to the ESP at the beginning of the project. The same respondent highlighted that the ESP was not universally applied, suggesting the commercial on-grid grants were allowed to move forward without meeting ESP requirements. However, other managers confirmed that one exception was made given the state of that project at the time of award, but that all other grantees were required to complete ESP requirements. Another MCA-I respondent also mentioned that contractors and consultants required considerable training to meet the expectations of the ESP safeguard measures.

### *Social and Gender Integration Plan (SGIP)*

Similar to ESP, the SGIP was ranked as highly beneficial by most respondents on the online survey. Several Window 2 interview respondents suggested that the SGIP process was strict but effective. A Window 3A respondent suggested that the SGIP was “good, [and] not something we had really thought about before.” In a focus group, grantee participants noted that they had improved the design of their projects because of the SGIP by making additional considerations for gender that they had not considered before. Another grantee mentioned that they made deliberate activities geared toward gender equality that they had never done before and allocated 17 percent of their budget for developing women’s groups because of the SGIP.

A grantee FGD participant suggested that the SGIP requirements were much too heavy. They cited that some staff quit during the SGIP formulation because the requirements were so bureaucratic. Several respondents commented that the SGIP guidelines were excessively unclear. A project management contractor mentioned that the SGIP, like the ESP, caused significant delays in the approvals of grants. Another grantee respondent also mentioned that together the requirements (LLA, ESP, SGIP, and ERR) were too many and resulted in too much effort in administration. Two large grantees noted that the SGIP requirements were unreasonable and that they refused to complete them according to GPF standards but continued the grants anyway. Another focus group respondent echoed a similar experience, explaining that they have sent revised SGIPs back and forth five times already and the final document had still not been approved with one month left in the grant delivery contract. In other cases, grantees in a focus group agreed that they felt that they invested considerable time and effort into completing the SGIP, with little to no response from GPF, prompting them to question the purpose of the exercise if they don’t get quality feedback.

### *Landscape-Lifescape Analysis*

Of the survey responses that indicated the LLA was detrimental, all three were mildly detrimental, enriching the suggestion in the data that the LLA was a beneficial aspect of GPF. An MCC interview respondent suggested that LLA, along with the ESP and SGIP, was important for screening out proposals that would have otherwise caused social or environmental harm. A grantee respondent suggested that the LLA was effective but that the results of it would not be visible until well after the GPF has closed. Nevertheless, according to the respondent, this is a forward-thinking system that was useful for planning beyond the scope of the grant.



GPF and grantee respondents mentioned that the LLA should have been conducted in time to inform proposals, which would have made the proposal process more efficient and resulted in more effective grants. A respondent gave the example that the LLA process could have served to highlight the political realities in the area and enabled the projects to orient themselves toward government policies better.

### *Economic Rate of Return (ERR)*

ERR was broadly supported by grantees, although almost half of the respondents to the online survey who indicated the ERR was beneficial ranked it as mildly beneficial. In interviews, grantees found the ERR burdensome, but an interesting exercise. Only one of 29 respondents to the question of reasonability of the ERR calculations suggested that their ERR estimates were unrealistic. A project management contractor commented that the ERR is a new way of thinking in the Indonesian context for development projects and that they will adopt it for future programming in the country, as it forces project proponents to consider the larger impact and whether or not the activities proposed provide an acceptable return.

On the other hand, some grantees reflected that the ERR calculations required a significant amount of work and did not change the design of the project. One said that it “just took up time.” The same respondent suggested that after calculating their ERR, they were not convinced of the result (the value was too high), so they wanted to revise it down but were told by GPF to “leave it alone.” The respondent confirmed that the ERR has not been monitored or followed up on by MCA-I, which reinforced their frustration that it was not an effective use of time. Another respondent also suggested that they only undertook the ERR exercise to fulfill MCA-I requirements but have never revisited it, calling its effectiveness into question.

### *Procurement*

Grantee respondents to the online survey found the procurement aspects of GPF beneficial, with almost half (9 of 19) of those suggesting they are beneficial ranking them as highly beneficial. Several grantee interview respondents mentioned that they planned to institutionalize aspects of the GPF procurement systems into their organizations, which they felt enhanced transparency and ensured they are getting the best price available.

Although grantees felt that the procurement aspects of GPF were beneficial, grantees and GPF respondents alike were also clear (13 respondents) that procurement was excessively burdensome, especially pertaining to the changing procurement rules and amount of time that authorizations took. This evaluation reflects on this in more detail in response to Question 5. Some respondents reflected that the MCC procurement system may be effective for large infrastructure projects but was excessive for many of the GPF projects, especially in Window 2.

### *Financial Reporting*

GPF financial reporting requirements were regarded as beneficial, as the survey data show, but also as some of the most challenging and frustrating requirements, as shown in response to Question 5 (section 5.5). The primary way that financial reporting was beneficial was capacity building for grantees, which many respondents signaled in interviews, with respondents suggesting that they have already, or plan to, revise their institutional systems to align with GPF standards.

Detrimental aspects related to financial management were related to the changing rules and lack of clear communication about how requirements were interpreted and changed by GPF, as reported by no fewer than 16 interview respondents (this analysis excluded the issue of disbursement delays, which is discussed in response to Question 5). Other grantees responded that, compared with international donors, the financial requirements of GPF were constricting, creating unnecessary administration and sacrificing results because of the amount of time and energy put into fulfilling complex requirements.

### *Monitoring and Evaluation Plan*

A grantee interviewed suggested that GPF had an elaborate monitoring system but did not understand the projects they were monitoring. The Relationship Managers were key GPF representatives in the field and were charged with regular monitoring, but, according to the respondent, there was little interaction in the field. Other respondents mentioned that the frequency and volume of reporting were too high, to the extent that reported results had little meaning because they could only include estimates, especially when reporting frequency was arbitrarily revised to monthly.

### *Cost Sharing, Special Purpose Vehicle (SPV), and Community Benefit Sharing (CBS)*

These three aspects of the GPF only applied to commercially oriented projects. This section reflects on them together, as they have similar implications for the effectiveness of GPF. As shown in section 5.2, the GPF was able to leverage additional funds through cost sharing, which increased the total reach of the project. The evaluators were unable to determine the extent to which cost sharing was a deterrent for any companies, and Windows 1 and 3, which required cost sharing, had mixed results in terms of achieving spending targets.

The Special Purpose Vehicle (SPV) is a means to engage both the private sector and local communities in renewable energy developments. According to MCA-I documents, the community is the largest shareholder of a registered company that owns the electricity generation facility, with the remaining shares owned by other eligible shareholders. This was described by MCA-I and corporate grantee respondents as a “breakthrough” and a model for the future of renewable energy development, and key to the effectiveness of Window 3A. In addition to lowering costs, respondents indicated that it lowered costs due to in-kind contributions from the community in terms of labor, land leasing, and other inputs required to accommodate infrastructure development. Advocates suggest that it ensures sustainability because it keeps the project developer tied to the project for twenty years, when under normal circumstances developers tend to leave much earlier.

A respondent from a project management contractor explained that this aspect of GPF is problematic for private companies. The respondent explained that benefit sharing requires the company to make its financial records available to communities, which some companies felt was a risk and left them vulnerable. Some companies withdrew their application based on this requirement.

### *Policy Change*

This issue is addressed using qualitative data from interviews rather than the relying on the online survey as the preceding subsections did. There was clearly significant interest among GPF stakeholders that GP would contribute to policy change. As we have shown elsewhere, it has contributed to policy change, which some respondents involved in the policy change attribute to the

involvement of the national government (through BAPPENAS and SATKER) and the involvement of district government signaled by the MOUs. On the other hand, other respondents suggest that although there were aspirations within GP that policy would be changed, the lack of a clear plan and strategy to address policy meant that there were not as many policy changes as there could have been. Further, although in theory GP had a close relationship with the national government, in practice, representatives of SATKER and BAPPENAS suggested that they had little involvement in the operation or overall direction of the GP once it started, which may have limited their engagement in advancing further policy change.

### ***Did the GPF approach result in a set of grants that aligned with the GP objectives?***

For the purposes of this evaluation, the team assessed alignment with the three highest-level outcomes stated in the GP logical framework:

1. Reduced reliance on fossil fuel,
2. Improved sustainability of landscape through reduced deforestation and improved land conservation, and
3. Increased economic productivity through use of electricity or land.

To answer this evaluation question, SI observed both the selection process and causal pathways (the “GPF approach”) and the perceived contribution of grantee activities to the GP objectives (“alignment”). The team could only assess perceived contribution because it was not within the scope of this evaluation to observe grantee activities or to validate whether grantees were meeting objectives that they had laid out in their applications. The evaluation team relied on key informant interviews and a review of grantee application documents to determine whether the grants, as designed, were aligned with GP objectives.

SI also analyzed the CFPs and the concept notes to determine whether the stated objectives and requirements would screen out projects that did not meet the objectives. Next, the team reviewed all projects that had been accepted and were in the final grant list. Based on this assessment, the CFPs were specific enough that eligible expressions of interest and proposals would align with GP objectives. For example, the CFP for Window 3a, Section 2.2, specifies which technology is applicable, thus ensuring that proposed technologies will “reduce reliance on fossil fuels by expanding generation from RE.”<sup>61</sup> Annex 19 of the CFP then provides several other criteria that must be met such as community engagement and environmental and social requirements. Similar guidance was provided in other CFP and concept note documents. Furthermore, the objectives are sufficiently broad that they encompass a wide range of grant activities, and some of the guidance for alignment was quite specific.

Several interviews indicated that the grants awarded were aligned to GP objectives and that GP objectives were aligned with GoI priorities. This alignment was enforced, in part, by the implementation of the ESP, according to an MCC respondent. Another aspect of the GPF that ensured grants were aligned with GP objectives was the requirement that grants align with local government priorities, which were also, under the MOU, aligned with GP objectives. Several grantees commented that their grants aligned with government objectives, referring to conservation, agricultural, and renewable energy activities. Though the high-level objectives and impact-level results for GP are well stated and understood among key stakeholders, the causal pathways and mechanisms to achieving those results are less clear. When reviewing the project logic in Figure 6, the team found that the logic

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<sup>61</sup> Call for Proposals, Window 3A.

connecting results was not well defined; for example, the application of schemes to improve communities' involvement for on-grid RE power is supposed to link to an improvement in certification and standards, which should, in turn, contribute to a reduction in energy costs. This logic seems to be driven by the window structure rather than by problem analysis or expected results. Additionally, several respondents doubted the feasibility of achieving the stated results in the logical framework within the five-year timeframe for the Compact (with even greater doubts given the delays in implementation).

The team analyzed all 109 of the approved grant agreements, feasibility studies, and their corresponding ERRs. All met or exceeded the 10 percent ERR requirement. The benefit streams met the overall objectives. That is, the benefit streams were the monetized output of activities that met one or more of the three objectives. However, not all were financially viable or sustainable. The Technical Appraisal Panel clearly indicated this in the notes that went to the investment committee. The evaluation team could not assess whether the issues identified had been adequately dealt with after the grant was approved.

Though a systematic review of grantee-level theories of change was beyond the scope of this evaluation, the team's observations of grant application documents are consistent with the more comprehensive study undertaken by ICF, which estimated GHG emission reductions for GP with analysis by window and an assessment of selected grantees' project logic (when available), project activities, and their potential for GHG emission reduction. ICF found that the theories of change for awarded grants were, in the case of Window 1, highly complex with many activities that did not necessarily relate to each other, and that there were gaps in the project logic across all windows. ICF also found that some grants had no activities related to GHG emission reduction. The ET also found inconsistencies and unconvincing logic within the grants, especially considering what could realistically be achieved in the given timeframes.

The ET, however, did review the stated objectives in each of the grant agreements to determine whether grantees' stated objectives were aligned with GP objectives. This analysis of approved grant agreements confirmed alignment with GP objectives. As shown in the table below, all grants aligned with one or more GP objective in their design.

**TABLE 14: GRANT ALIGNMENT WITH GP OBJECTIVES**

Window	Outcome 1: Fossil Fuels	Outcome 2: Sustainability	Outcome 3: Productivity
1	0	2	2
2	23	56	58
3A	5	1	3
3B	4	1	2
GK	2	6	2
<b>Total</b>	<b>34</b>	<b>66</b>	<b>67</b>

Discussions around the Facility-level logic during the evaluability assessment revealed that the overall impact-level outcomes of GP (namely, reduced poverty through low-carbon economic growth

and increased household income and reduced GHG emissions) are well understood, but there is less agreement on mechanisms for reaching those outcomes. Indeed, the project logical framework changed in 2016 to more accurately reflect the implementing reality, as many stakeholders felt that the original logic model did not adequately document how the activities or interventions could contribute to higher-level objectives. As a result, the GP grants (as designed and expressed through the grant agreements) are inevitably aligned with GP objectives and the GP logic, because the GP logic was revised in 2016 to more accurately reflect the portfolio of grants. Similarly to the GP logical framework, the logical frameworks presented in some grantees' design documents displayed gaps in logic and were not necessarily sufficient to achieve the GP objectives, particularly given the short timeframe for implementation. So, while grantees claimed that their projects were aligned with GP objectives, they did not necessarily display coherent project logic to link proposed activities to the intended grant or GP results.

Though an independent review of the likelihood of the proposed grant activities achieving their stated objectives was outside the scope of the evaluation, the team visited a sample of grantees in each window to confirm that the activities that were outlined in the proposals and feasibility studies were being followed through during implementation through key informant interviews and limited site visits. The grants were in different stages of implementation in November 2017, when data collection took place. For example, when the team visited one grantee that had planned to provide electricity, the plant was operable but not operating, as it was awaiting final licenses. Income generating activities had not begun but had been discussed thoroughly with the community. In Mamuju, a project to convert trees to pellets was underway, and trees had been planted, but the factory to convert the trees to pellets was not under construction. Through key informant interviews with grantees, the team asked grantees to describe, in their own words, how their project aligned with GP objectives. Again, the criteria are sufficiently broad that a wide range of project activities could be included, and the team did not see any evidence of misalignment with GP objectives through the interviews.

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## CONCLUSIONS

The answer to whether or not the GPF was successful is considered in two parts: first, as a model, and second, in practice. As a model, GPF was found to be innovative and successful at addressing niche needs in Indonesia. The grantmaking mechanism and various grant criteria effectively screened projects that were aligned with GPF objectives. Its design to engage a wide range of sectors and to include grantees from both the private sector and civil society was a significant strength. Governance structures included GOI, MCC, and MCA-I, which fostered an ethos of participation in the design.

From an implementation perspective, GPF was mostly effective in achieving its objectives from a grantmaking perspective after the new management was in place, though issues continued throughout implementation (as discussed in response to Question 5, section 5.5). The low level of disbursements compared to planned funding can largely be attributed to the delays in implementation during the first two years of the Compact; despite the compressed timeline, most awarded grants were completed. In the case of Window 2, not only did the highest percentage of applications make it through to completed grants, but it was also relatively close to achieving its funding target, despite being the last CFP released and having the largest number of grants. These relative successes suggest that the GPF model was most effective for the Window 2 grantees.

The MCC-specific requirements of grantees (e.g., ESP, SGIP, LLA, and ERR) were perceived as largely beneficial to grantees. While there were several detrimental effects of these requirements, they were

primarily found in inefficiencies of implementation rather than in the effectiveness of the model, which has more to do with design.

Because of the broad outcomes of GP, it would be difficult for projects, after the selection process that was undertaken, to not align in theory. Any project that deals in reducing fossil fuel emissions or poverty or increasing productivity could be argued to be aligned. Under these broad categories, the evaluators conclude that all projects reviewed aligned with GPF outcomes as detailed in the logical framework. Aspects such as the ERR, ESP, and LLA ensured that any projects that were not aligned with these objectives would be screened out or that the grant proposals would have been strengthened to ensure their alignment. As can be seen from the low achievement against stated targets, however, alignment with objectives alone is not necessarily sufficient for achieving project objectives, especially given the gaps in causal logic and the short timeframe grantees had for implementation.

### 5.3 FINDINGS AND CONCLUSIONS FOR EVALUATION QUESTION 3

*What key results did the GPF have with respect to processes, policy, or sustainability? Were the approved grants higher quality than they may have been through other processes? Did the Facility catalyze government policy changes, lay groundwork for future investment, or leverage private sector funds using a new approach? Are there indications that investments will continue to have enduring benefits after the lifetime of the Compact?*

#### FINDINGS

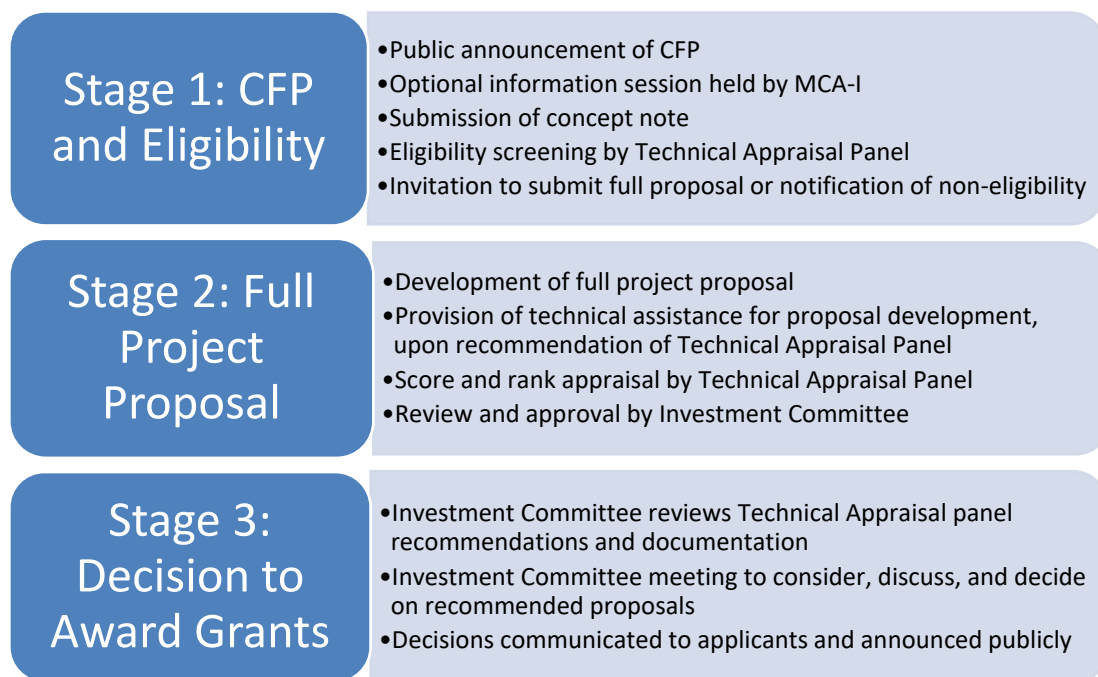
***What key results did the GPF have with respect to processes, policy, or sustainability? Were the approved grants higher quality than they may have been through other processes?***

Despite the many shortcomings of GPF implementation mentioned in response to Question 1, there have been tangible results. This section elucidates these results in terms of process and sustainability at the facility level first and then discusses grant quality. Policy results are important to recognize and are discussed in the next sub-question.

#### Process

The Operations Manual sets out the processes by which grantees are assessed and selected. At minimum, the selection process takes place in three stages, summarized in Figure 11 below:

**FIGURE 11: GRANT APPRAISAL AND SELECTION PROCESS<sup>62</sup>**



The Operations Manual also states that MCA-I may use an Expression of Interest (EOI) to:

- gather information about the likely market for intended grants,

<sup>62</sup> Adapted from Operations Manual



- provide an early signal to the market, or
- to pre-qualify and shortlist interested parties, who would then be invited to submit a full proposal.

The CBNRM Operations Manual follows this same process, with an additional due diligence step prior to grant award. All selected applicants were required to complete a pre-award survey to verify that the applicant has in place the administrative, management, financial, and monitoring systems to ensure that it can provide due diligence with respect to managing and reporting the use of funds for the intended technical purpose.<sup>63</sup>

Looking back at Table 13, which describes the percentage of grants that moved through each stage of the proposal, each window selected between 20 and 60 percent of the submitted proposals for a grant agreement. This suggests that non-accepted proposals did not meet the minimum criteria laid out in the process described in Figure 11 or dropped out of the process at one of the stages. The highest success rate was seen in Window 2, which accepted 59 percent of the proposals submitted and had a 98 percent completion rate among grants that had full agreements. The lowest success rate was seen in Window 3, which did not have an EOI process and had only a 4 or 5 percent completion rate (3A and 3B, respectively). This does not necessarily indicate that the proposal process did not effectively screen applicants, as there are other factors that may have resulted in the low completion rate (not least of which being available time for construction).

The evaluation team's analysis of results related to processes uses the process indicators from the MCA-I Indicator Tracking Table to make this assessment; however, the process indicators stop short of pointing to whether or not effective processes were in place for the GPF to function efficiently. Evaluation Question 5 explores these issues in more detail.

As mentioned in the response to Question 2, there were no formal targets for many of the indicators, so tracking achievement of objectives is not always clear. They are, however, useful as indicating progress toward a result. It is also worth noting that the indicators in the monitoring and evaluation plan are tied to a programming area rather than a result, so the planned Facility-level results themselves are also unclear. Table 15 shows findings by process indicator.

**TABLE 15: PROCESS INDICATOR TARGETS AND RESULTS (AS OF DECEMBER 2017)<sup>64</sup>**

MCA-I Process Indicator*	Target	Result
GP Facility Activity		
External resources disbursed	\$80.1 million	\$41.2 million = 51%
Project financing disbursed by the GP Finance Facility	\$136.6 million (adjusted from \$254 million)	\$63.2 million = 46%
Project financing disbursed for women's economic empowerment (WEE) grants	\$2.6 million	\$1.9 million = 73%

<sup>63</sup> CBNRM Operations Manual, June 2015.

<sup>64</sup> Source: Indicator Tracking Table as of December 2017.

MCA-I Process Indicator*	Target	Result
External resources leveraged in grant agreements	N/A	\$81.8 million
Project financing approved by the GP Finance Facility	N/A	\$143.9 million
Grant agreements signed and active	N/A	72 completed grants <sup>65</sup>
Implementing Entity Agreement (IEA) between MCA-Indonesia and Indonesia Peatland Restoration Agency (BRG) completed	N/A	Signed March 6, 2017
Stakeholders engaged	N/A	671
Signed MOUs between MCA and districts	45	43 = 96%

Overall, results are below targets, which is attributable to the challenges that are discussed in response to Question 2 (section 5.2).

While these indicators were developed by MCA-I, the evaluation team considers other perspectives on the successes and challenges of GPF processes in answer to Question 5. These are much more fundamental issues about the adequacy of systems to support the operationalization of the Facility.

### *Policy*

Policy is addressed in the question below: “Did the Facility catalyze government policy changes, lay groundwork for future investment, or leverage private sector funds using a new approach?”

### *Sustainability*

MCA-I has a finite end date. As a Facility, its design is therefore not intended to be sustainable itself, but to have sustainable results. According to another trust fund manager, the integration with MCA-I and BAPPENAS lacks robustness to entertain any notions of sustainability, even though assets will be handed to the Government of Indonesia. These challenges are supported by a senior government official respondent, who suggested that, although the Government of Indonesia, and BAPPENAS specifically, was the main gatekeeper, it was not involved in day-to-day operations and that the line ministries were not as involved as they could have been. The most visible national government counterpart was PLN, the national electricity company, but MCA-I managers critiqued the GPF design and implementation for not involving them more at the early stages of mobilization. The capacities that it has built and mistakes from which it has learned will disappear with the closing of the facility, according to a senior MCC respondent.

The sustainability of the projects themselves is outside the scope of this evaluation, but from a design perspective, there are some strong features that are likely to lead to sustainability—especially the cost-sharing strategies employed in Windows 1 and 3. In these cases, respondents signaled that they will continue to operate the project as under the GP together with the partner organization. The nature of Window 2 is substantially different in that the types of projects undertaken tend to require

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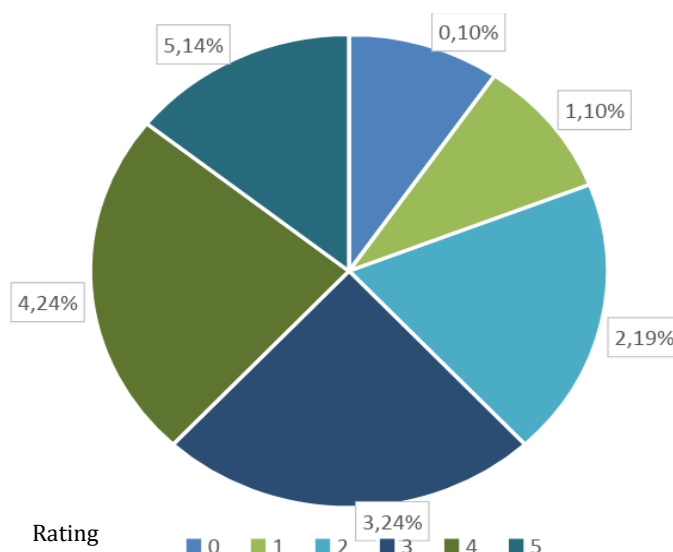
<sup>65</sup> This reflects the end-of-Compact total

additional funding contracts to operate. The extent to which these projects had secured additional donors, or that the objects of development were self-sustaining, such as community enterprises, was not yet clear at the time of fieldwork.

### *GHG Emissions of the Projects*

When asked about the extent to which their activities resulted in reducing greenhouse gas emissions, there was a mixed and often indirect response. Twenty-one respondents to the online survey answered the question from 0–5 (0 being not at all, and 5 being to a high extent), as detailed in Figure 12.<sup>66</sup> As previously mentioned, MCC hired ICF to examine a sample of project logics and assess likelihood of grantee activities leading to a reduction in greenhouse gases. ICF found that of the 85 grants awarded (including GK), 65 (76%) have the potential to result in changes in GHG emissions with adoption of 98 practices, tree planting, and peatland rewetting. Window 1 had the highest potential GHG emission reduction, and the regions of Southeast Sulawesi and Jambi were the regions with the highest potential GHG emissions reductions. ICF expects that GP's potential GHG emission reduction will be approximately 1 million tons of CO<sub>2</sub>e. Renewable energy activities had the lowest reduction potential, expected to comprise 6 percent of GP's potential GHG emission reduction. The other activities (social forestry, sustainable agriculture, and peatland restoration) were expected to comprise between 28 and 36 percent of the potential reduction.

**FIGURE 12: GRANTEE RATING OF THE EXTENT TO WHICH THEY REDUCED GHG EMISSIONS**



### ***Were the approved grants higher quality than they may have been through other processes?***

The notion of grant quality requires a standard against which quality can be assessed. That standard was developed loosely around the criteria mentioned above on which grant applications were assessed. Each Window had its own additional criteria, and the Operations Manual had a general set of criteria. Applicant criteria included the types of organizations that could apply (i.e., not individuals, political parties, advocates of anti-democratic policies, blacklisted groups, and MCA-I family members). Project eligibility included criteria such as alignment with GP objectives, ERR of 10 percent, geographical locations, adoption of social and environmental safeguards, and alignment with Window-specific priorities. GPF accepted a wide range of project activities and made processes for different types of grantees, including small NGOs through Window 2.

Investment criteria were based on (1) environmental stewardship and greenhouse gas emissions, (2) distributional benefits, in the case of Windows 1 and 3, (3) partner contributions, and, in the case of commercial projects, (4) suitable risk allocation. Proposals were then measured according to

<sup>66</sup> The evaluation team was not able to discern the extent to which the emissions caused by the GPF and projects themselves (from the consumption of electricity, fuel, resources, travel, etc.) was considered when responding to this question. Notably, there is no evaluation of consumption through to operationalization of projects in the documents that the evaluation team reviewed.

several factors as specified in the Operations Manual, including, for example: financial and procurement management capacity; implementation plan; asset management plan; sustainability plan; level of community engagement; social, environmental, and gender assessment; and overall risks. The basis on which points were graded for each criterion was not clear to the evaluators (i.e., the characteristics of a 5 versus a 10 score). Without a standardized measure of how each application would fare against these criteria, it is difficult to compare applications. However, these criteria, as assessed by the evaluation team and confirmed by respondents, are robust, and, if followed, ensure that grant applications are well considered using a standardized assessment. MCA-I staff and IC members involved in grantee selection, or who observed the process, agree that the criteria were rigorously applied.

An MCC respondent commented that although the list is long, there is still significant room for interpretation as to the quality of meeting each criterion. An assessment of the quality of GPF proposals and implementation compared to other funders was not possible, owing to the limitations cited in section 4.7. Therefore, this evaluation uses qualitative assessments of quality as its basis.

Several respondents commented in interviews that, although burdensome, the checks and balances in GPF were useful to ensure quality of proposals and implementation. Grantees also highlighted the level of support that they received from GPF in proposal development, discussed earlier, as beneficial to the quality of proposals and implementation. A Window 3 project manager mentioned that overall, the original proposal quality was substandard, and the GPF had to provide a lot of support to get proposal quality to an acceptable standard. Grantees acknowledged this across all Windows and felt supported to get through the process. Furthermore, several grantees reported that MCC's stringent requirements and policies prepared them to foster progress and pursue similar opportunities with other international donors operating in the field. This was particularly true of meeting the IFC performance standards. Though grantees often needed to go through several revisions and lengthy approval processes in preparation of the documents for the performance standards, which exacerbated the existing challenges around implementation timelines, grantees reported that they were also better prepared to engage a range of national stakeholders, from the private sector to local governments.

***Did the Facility catalyze government policy changes, lay groundwork for future investment, or leverage private sector funds using a new approach?***

The Compact Investment MOU makes direct reference to policy changes in place prior to the implementation of the GPF. It recognized the progress and need for assistance in developing land use planning (especially the clarification of administrative boundaries) and renewable energy policy. There is recognition among MCA-I respondents that MCA-I was pushing for changes in the policy framework related to low carbon policies. Some of the policy changes directly facilitate an enabling policy environment for low carbon emissions activities. This includes facilitating permits for forest and peat restoration and enabling partnerships to promote renewable energy. Others relate to indirect changes that may have an influence on certain lower emission alternatives, such as those that support the formation of farmer groups—some of which may engage in lower carbon emission land uses.

***Local Policy Changes***

Just over 45 percent (15 of 33) of respondents to the question in the online survey around policy change suggested that their project had influenced policy change. Many of these changes were made at local, ostensibly village, levels of government and often around the reduction of environmentally

detrimental practices such as burning fields or supporting farmer groups. Some respondents also recounted improvements at local government levels in terms of engaging women in decisionmaking processes. These improvements were sometimes attributed in part to the MOU developed with the districts for the implementation of the GPF.

Another grantee suggested that changing regulations among governments caused significant problems for the project. While some respondents suggested that MCA-I's alignment with the government led directly to some policy changes (elaborated in the sections below), other responses suggest that even the involvement of the government in the MCA-I structure was not significant enough to overcome these obstacles. An MCA-I Manager explained the problem as one in which implementation was inconsistent and that some proposed activities were unregulated. He stated that, "no one can say 'please go ahead, there is no regulation for that'—that can't happen."

### *New Models for Renewable Energy*

The Facility and projects required policy in order to advance activities. These policies were implemented to address and overcome policy obstacles in the implementation of the GPF. One of the first policies that needed to change was the ability of on-budget state funds to be granted to the private sector. As mentioned elsewhere, the government cannot legally provide grant financing to purely private sector endeavors and as such needed to find a way for GPF to fund private sector projects. It did this in the SPV for Window 3a and community benefit sharing with Window 3B projects. A senior government official explained that private-community partnerships for electricity generation are a new concept and not well understood, but that the GPF has highlighted the possibilities for this as a model. This allowed Window 3A to move forward. Window 3B required the project to come to agreement with a local community on a benefits sharing program to be eligible for GPF funding. According to a SATKER respondent, overcoming this obstacle was a major policy achievement.

### *Sales Tax*

The constraints analysis identified taxation as a barrier to investment in Indonesia.<sup>67</sup> MCA-I therefore worked to achieve a sales-tax-free status for the GPF and its grantees, which they successfully obtained in 2012. There are two types of tax exemption applied (as regulated by the Ministry of Finance Regulation No. 124 of 2012 concerning mechanisms for MCC grants): tax-exempt status applied during the purchase and tax return applied after the purchase. According to a SATKER respondent, the achievement of this status is a major accomplishment and rarity among the SATKERs, suggesting that "it is only our SATKER that has this." In response to Question 5, this evaluation shows that the issue of sales tax exemption was important but also problematic, as the time it took to obtain approval caused problems in procurement.

### *Environmental Approvals for Restoration Activities*

While the focus of policy change has been on removing obstructions to advancing renewable energy activities, there is evidence that local projects also influenced national policy. According to a grantee working on reforestation, MCA-I, working together with the BRG, was the impetus for a national-level decision by the Directorate General of Forest Planning and Environmental Management of the

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<sup>67</sup> Indonesia: Critical Development Constraints. Asian Development Bank (ADB), International Labour Organization (ILO), and Islamic Development Bank (IDB), Manila, 2010.

Ministry of Environment and Forestry, as clarified in *Surat Arahan Dirjen Planologi No. S1026/PKR/PDLUP/Pla.4/7/2017*, which took a more commonsense approach to environmental approval for reforestation initiatives and streamlined social and environmental safeguard considerations from the IFC performance standards integrated in the technical design (*Rancangan Teknis-Rantek*). Prior to this decision, all land use changes over 2,000 hectares would require a full environmental impact assessment (AMDAL), which would take more than a year to complete. Under the new regulation, restoration projects are subject to a different set of criteria, more conducive to the activities they will undertake than the AMDAL, which includes a large range of commercial activities.<sup>68</sup> Some respondents suggest that there is still room for improvement, as there remains a gap between existing regulation and professional or academic arguments for using simplified regulation on peatland restoration.

### *Electricity Tariffs*

Although GPF has brought attention to the issue of renewable energy, and some issues in terms of tariffs have been at least temporarily addressed, a senior MCA-I manager explained that there is still a long way to go. He emphasized that getting a Power Purchase Agreement through with PLN is still challenging, and policies on tariffs change on an almost daily basis with the Ministry. Each new minister has a different idea. He regretted that MCA-I could not have done more to improve this situation. “Renewable energy is still a mess,” he said. In 2015 and 2016, the MEMR moved to increase the feed-in-tariff for RE and bring more RE online. While MEMR was creating a favorable environment, PLN was not signing new PPAs. When the minister changed, new policies were instituted in early 2017 that radically changed the playing field for RE.

The team found two major factors emerging during the evaluation period:

1. Regulation 10/2017 to address Power Purchase Agreements (PPAs) and
2. Regulation 12/2017 addressing Feed-in Tariffs.

Regulation 10/2017 does not apply to solar or wind, hydro blow 10MWe, or biogas and waste to energy power plants. Nor does it apply to existing PPAs or projects with a letter of intent to purchase from PLN. Earlier, the PPA for dispatchable projects was based on availability with a two-part tariff: a capacity charge design to service debt equity and fixed operations and maintenance (O&M) costs and an energy charge to cover variable O&M costs based on actual dispatch.

Regulation 10/2017 changes this so that PLN is required to take and pay for electricity for a “period of time,” which is undefined and should be agreed between the parties. It also mentions considering the period of repayment to the IPP’s lenders. This last aspect can be interpreted two ways. First, it could mean that the period of time is that period consistent with a take or pay mechanism to allow recovery of debt and return on equity in the earlier, normal fashion. Or, second, it could mean that PLN is not required to make take or pay payments once the project’s debt is repaid. PLN has thus far assumed this latter meaning. It is interpreted by PLN in such a way that repayment is dependent entirely on PLN’s dispatch instructions. This alone would significantly change the risk for future IPPs.

Regulation 10/2017 also stipulates that new IPPs be undertaken on a build-own-operate-transfer (BOOT) basis rather than the current build-own-operate (BOO) model. For developers that are

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<sup>68</sup> The Ministry of Environment and Forestry was unavailable to confirm that this policy change was directly related to MCA-I.



dependent upon project finance rather than balance sheet finance, this is a major setback because it makes it difficult to obtain funding on a project finance basis.

Finally, Regulation 10/2017 seems to suggest that PLN will be excused from Force Majeure issues and further shifts risk to developers and sponsors, and it stipulates that the project sponsor cannot transfer share before commercial operations.

Regulation 12/2017 applies to:

- Solar PV,
- Wind,
- Hydropower,
- Biomass,
- Biogas,
- Municipal waste, and
- Geothermal.

Regulation 12/2017 regulates:

- The price at which electricity generated from these renewable energy sources is to be sold to the Indonesian State-owned power utility, PLN, and
- The manner in which PLN is entitled to procure electricity supply from a number of these renewable sources.

Regulation 12/2017 shifts the FIT to be based on an avoidable cost. The tariffs used on the above projects<sup>69</sup> will be capped at 85 percent of the local production cost where the local production cost is higher than the national average production cost. If the local production cost is the same or lower than the national average production cost, then the reference price will be 100 percent of the local production cost. This introduces geographic-specific tariffs and favors the use of RE over conventional power in those areas that are not served by large thermal or large hydro plants.

While these changes should have negatively impacted only grid-connected projects, there was feedback on political acceptance of off-grid tariffs. Key informants expressed that off-grid projects should be able to agree on their own tariff with the local communities. They tried, but the local political authorities refused to sign off and rather restricted them to the same tariffs that would apply to grid-connected power. For example, one grantee is serving a community that is unserved by PLN and thus not subject to PLN's tariff schedule. The local community agreed to a tariff of 2,000 IDR per kWh but the local governor restricted the tariff to 1,400 IDR per kWh, as that is the PLN tariff in similar, on-grid areas.

### ***Are there indications that investments will continue to have enduring benefits after the lifetime of the Compact?***

Grantees are generally optimistic about obtaining continuous funding for the initiatives funded by MCA-I; however, few had contracts with funders at the time of interviews. The vast majority of online survey respondents (93%, or 39 of 42) reported an intent to continue the work they did under MCA-I. The range of prospective funders is relatively even across the types of donors, as shown in Figure 13

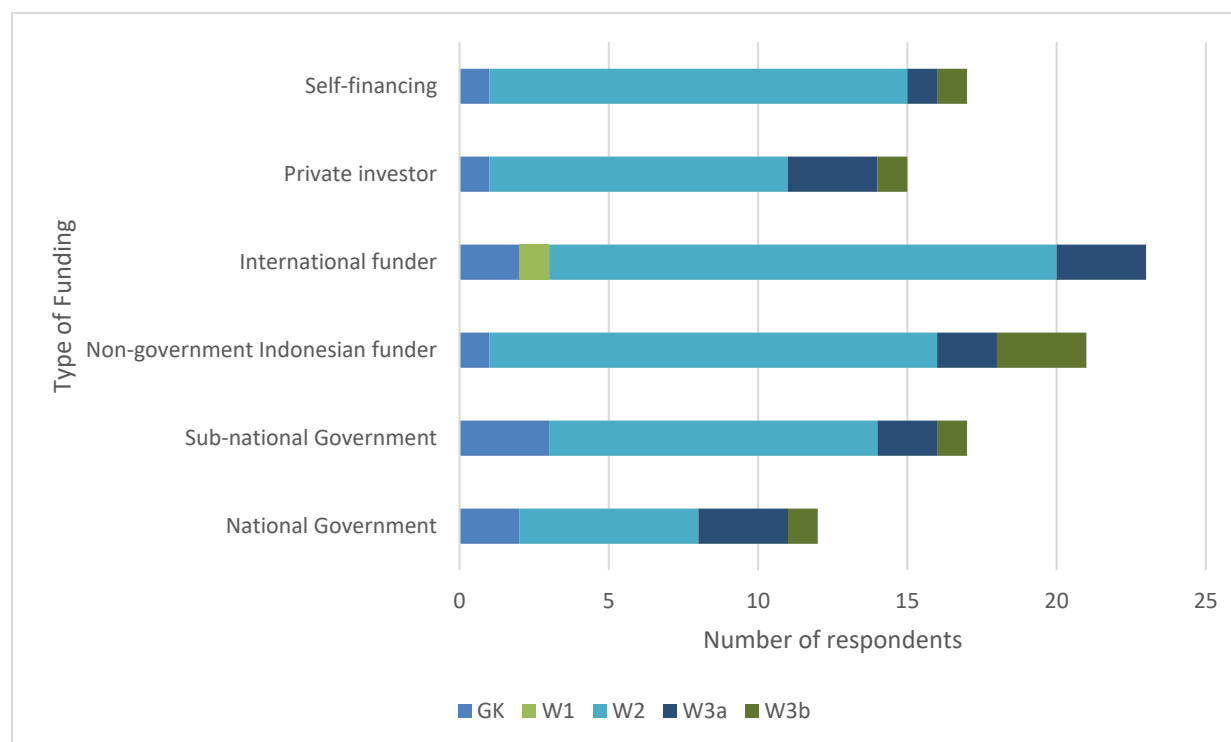
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<sup>69</sup> Except those projects where procurement is made using the direct selection method and geothermal projects. Geothermal projects will receive 100% of the avoided cost of power (ACP) in areas where the ACP is higher than the national average, as determined by negotiation between PLN and the IPP.



below. Similarly, 14 percent of the Window 2 respondents signaled prospective funding from private investors, which is not significantly lower than the 21 percent of Window 3A grantees who responded the same way. Window 2 grantees signaled relatively fewer prospects from the National Government than Window 3 and more from international and Indonesian non-governmental funders.

**FIGURE 13: GRANTEE FUNDING PLANS POST-GPF**



Based on interviews, the hopes of several grantees are pinned on *Dana Desa* (village funds mandated by Law No. 6 of 2014), a national program that aims to provide funds directly to village governments. Others are negotiating other arrangements with local- and district-level government.

Window 3 grantees were generally optimistic about sustainability, which makes sense given that they have revenue streams and private sector investors. However, the remaining Window 3 implementers are those who survived a process that resulted in the termination of most projects in this Window.

Half (13 of 26) of the respondents in the online survey derived at least half of their annual revenue from MCA-I. Some of the smaller NGO grantees interviewed have no funding in place and are not clear how to continue the project. Of the three respondents in the online survey who indicated that they had no plans to continue the work, two cited lack of funds and one responded with an unclear “other.”

Over half (20 of 39) of respondents plan to continue programming by scaling up the work done under the GPF to other communities. Another 39 percent (15 of 38) planned to complete unfinished work in the same communities, with the remaining respondents planning on working in some of the same communities or both continuing work and scaling up.

Only a few grantees interviewed reported that their project would be completed successfully without the need for further funding. The interviewees who did not plan to continue programming were from

Green Knowledge, which, as shown in response to Question 1, has had negligible impact on grantee activities.

Window 2 respondents emphasized that the duration of the projects (nominally 18 months) was too short to ensure any kind of sustainability. They suggested that projects dealing with poverty alleviation, a cornerstone of GP, require a minimum of five years to make sustainable change. As an MCA-I respondent mentioned, “If we had six more months, we could have some good examples and money could be spent.” Time, as explored in response to Question 5, was often cited as the major constraint to achieving enduring results.

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## CONCLUSIONS

Because of the lack of targets, it is difficult to assess the extent to which process results met expectations. For the few for which there were targets, results are below even adjusted expectations. A more nuanced evaluation of processes is in response to Question 5, which addresses many of the critical operational issues that the GPF faced that contributed to problematic implementation that affected overall results and sustainability.

Policy results at both national and local levels are evidenced in renewable energy, natural resource, and agricultural portfolios alike. The Facility made some significant achievements in terms of policy changes that create an enabling environment for GPF activities. Although these changes were considerable, especially allowing cost-sharing with the private sector for renewable energy, some respondents still felt that more could have been, and needs to be, done to address key issues such as energy tariffs. The lack of an explicit strategic plan and targets surrounding expected policy changes may have hindered GP’s ability to achieve further progress in this realm.

One strong indicator of enduring results is that 39 percent of grantees plan to continue to work in the same communities. That is hardly surprising, given the duration of the project implementation period. However, the indication that the majority of grantees plan to scale up the efforts of their projects to other communities rather than continue in the same ones is a strong signal that there are both enduring results from GPF and that the results are worth scaling up.

At the Facility level, the GPF played a critical role in encouraging policymakers to develop an enabling environment for investments in green growth by making such policy changes as joint public-private financing of renewable energy projects and implementing a sales-tax-free status for renewable development. These shifts in policy represent an enduring benefit for organizations working toward green growth and other stakeholders, as these initial steps in promoting sustainable development will probably encourage future investment and collaboration.

The grant-making criteria were fairly stringent and defined by guiding questions. The criteria, however, serve more as a checklist of things to think about when assessing proposals rather than as a scorecard. It is unclear from the criteria themselves what the standards by which the quality of each criterion will be assessed are other than a binary assessment. Therefore, the extent to which a proposal could pass the minimum standards seems clear, but the extent to which two projects that both pass the minimum test could be compared to one another is less so. There was less evidence of well-defined guidelines in other aspects of implementation.

The data on proposal advancement and approvals suggest that the GPF was uncompromising in its standards even though there was considerable pressure to disburse funds and that they were discerning in advancing and approving applications. GP could have achieved greater efficiency in the

proposal process, especially for the EOI for Window 1 (where only 9 percent of EOIs were invited to submit proposals). Initial grant proposals were generally characterized as of low quality, but with assistance from the GPF, the successful projects were assessed as of a good quality by GPF and grantees alike (with the exception of Window 3b). Grantees, especially in Window 2, acknowledged that the quality of applications increased considerably through the GPF selection and revision process. The central issue with quality, as also seen in Question 5, was the time in which grantees were contracted to deliver results. This issue was also a major contributing factor to the low success rate among Window 3 grantees, though the lack of an EOI process may have been a missed opportunity to screen applicants and/or ensure that GP was reaching the right market.

## 5.4 FINDINGS AND CONCLUSIONS FOR EVALUATION QUESTION 4

*Was the GPF cost effective? How much did it cost to implement the GPF? What were the key products, processes, and achievements of the Facility?*

### FINDINGS

To understand cost-effectiveness, we must consider both the effectiveness and benefits (addressed in Question 2) as well as cost, and typically compare these to other, similar models. As noted in the limitations section, comparison models do not exist for GPF, nor does the team have data to draw comparisons on cost effectiveness. Therefore, the response to this question will focus on documenting the costs of the GPF and the cost of arriving at grant completion. This will allow MCC to draw comparisons in the future.

#### *How much did it cost to implement the GPF?*

The team first determined the total cost of implementing the GPF. These costs are not the full grant funds to successful applicants but rather include the costs associated with operating the GPF and costs expended in the course of reaching these final full grants.

To do this, the team had to determine what elements of the GP should be allocated to the GPF. “The GP Project consists of four Activities:

- Investing in administrative boundary setting, updating and integration of land use inventories and enhancing spatial plans at the district and provincial levels (“Participatory Land Use Planning Activity”);
- Provision of technical assistance and project oversight (the “Technical Assistance and Oversight Activity”);
- Financing of low-carbon development projects through the establishment of a funding facility (the “GP Facility Activity”); and
- Provision of technical assistance and support for strengthening local, provincial, and national capacity to drive forward Indonesia’s nation-wide low carbon development strategy within the context of the GP Project (“Green Knowledge Activity”).”<sup>70</sup>

The first three of these activities constitute the GPF for the purposes of cost effectiveness in this evaluation. The purpose of PLUP was to support the projects funded by the GPF, even if implementation did not go according to plan.<sup>71</sup> Although PLUP is often discussed as a component of GP separate from the GPF, it was undertaken to support the GPF. The table shows the estimated cost of spending on PLUP through the Compact end date. The Technical Assistance and Oversight Activity was designed to support GPF efforts and the projects financed through the GPF. Green Knowledge is considered as separate from the GPF because it was not designed to provide input to the grants, unlike PLUP, or to take inputs from the grants (though this later emerged, as described in Question 1).

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<sup>70</sup> Investment Memorandum on Government of The Republic of Indonesia Proposed Compact, August 2011.

<sup>71</sup> As stated in the Investment Memorandum, “The purpose of the Participatory Land Use Planning Activity is to ensure that projects funded by the GP Facility are designed on the basis of accurate and appropriate spatial and land use data and adhere to and reinforce existing national laws, regulations and Plans.”

Most of the costs associated with these three activities are presented in Table 16. As of 12/31/2017, it is estimated that GPF cost at least \$142.6 million, excluding the GK. Excluding PLUP, it is estimated that total GPF costs were \$105.1 million.

**TABLE 16: GPF OPERATIONAL COSTS (ESTIMATES FROM DECEMBER 2017)**

Cost Item	Dollars Spent	% of Total Cost (inclusive of PLUP)
MCA-I GP Staff <sup>72</sup>	\$4,340,136	3.04%
MCA-I Overhead (travel, rent, etc.) <sup>73</sup>	\$25,304,170	17.75%
GPF Subcontractor Cost <sup>74</sup>	\$53,370,072	37.43%
MCC Costs <sup>75</sup>	\$10,376,152	7.28%
TAPP <sup>76</sup>	\$6,165,560	4.32%
[1] Terminated Grant Disbursements <sup>77</sup>	\$5,554,764	3.90%
Subtotal without PLUP	\$105,110,854	
PLUP	\$37,470,000	26.28%
Total Funds <sup>78</sup>	\$142,580,854	100%

The largest contributor to cost is the network of GP subcontractors, including the PMC, GPMs, GAST, and GMT, which constitute approximately 50% of the costs when PLUP is excluded. As noted in response to Question 1, the GP subcontractors took on the majority of communication, administration, and oversight of the grantees and therefore represent a significant portion of the work completed under GP. Key informants at MCA-I have suggested that this work could have been completed more efficiently had the design for GP been more fully thought through, as this would have led to earlier identification of the type of support required. Though data on the costs of other facility subcontractors are not available, the evaluation team did investigate the structure of other facilities within MCC, summarized in Table 17 below.

As shown in Table 17, GP engaged seven contractors (including TetraTech, which was hired by MCC), whereas other Compact facilities had only engaged one or two contractors. Though the size and scale of these other facilities varied, the facilities funded by other Compacts combined several of the grant administration and management functions into one entity.

<sup>72</sup> Source: email from MCA-I staff.

<sup>73</sup> Source: email from MCA-I staff.

<sup>74</sup> This includes estimated costs for PMC, EMM, Kehati, GAST, and all other subcontractors associated with providing technical assistance and management to the GPF that were paid for through MCA-I. This is an estimate provided by MCC. Source: MCC email dated 12/7/17.

<sup>75</sup> This includes the cost of due diligence studies conducted by NREL and Abt, the support provided by TetraTech for the PDU, consultants provided by MCC for GP design and grant oversight, and staff costs for MCC GP Project Leads.

<sup>76</sup> TAPP applies to window 3a and 3b. Source: KF GP and RE Portfolio Excel spreadsheet 1/12/18.

<sup>77</sup> Costs are only for Windows 3a and 3b and so undercount the full costs associated with terminated or withdrawn grants. Source: KF GP and RE Portfolio Excel spreadsheet 1/12/18. No TAPP are included. In the case of 3a, disbursements were unavailable, so the team estimated this. The average rate of disbursement to full grant amounts and TAP amounts for ongoing projects were used to estimate the amount of the full grant that is disbursed.

<sup>78</sup> All costs are estimates provided by MCC and MCA-I after a detailed assessment of costs incurred.

**TABLE 17: FACILITY STRUCTURES ACROSS MCC**

	Development of Grant Eligibility Requirements and Proposal Process	Grant Management	Technical Oversight	Financial Management	Communication	Oversight of Construction
MCA-I Green Prosperity	Project Management Consultant (PMC) CDM Smith and Hatfield Consultants Partnership for Windows 1, 3A, 3B, and GK; EuroConsult Mott McDonald (EMM) and Kehati act as the Grant Program Managers (GPM) for Window 2.	PMC (limited management role) and GPMs	PMC, TetraTech (contracted by MCC), TOPE	Grant Management Team (GMT)	Grant Administration Support Team (GAST)	TetraTech, TOPE
MCA-Zambia Innovation Grant Program	Innovations Grants Program Manager (IGPM) contract awarded to COWI in association with PMTC Zambia; LCC and LWSC; Technical Evaluation Panel (members of the IGPM).	IGPM, which consists of Program Manager or Team Leader, Associate Program Manager or Deputy Team Leader, five specialists in Social and Gender, Environment and Social Compliance, Communications and Outreach, Monitoring and Evaluation, and Financial Management. In addition, the IGPM has a home-based Project Director responsible for Quality Assurance and program oversight.	IGPM; Performance Improvement Team or PIT (contracted by MCC)	IGPM; Administration and Finance Officer (AFO)	IGPM	IGPM
MCA-Niger Climate Resilient Agriculture	GM's BDS staff conducts grassroots outreach activities, provides specific application/proposal preparation support, and implementation support to	Implementation BDS support shall be provided by the Grants Manager (GM), whether directly, through subcontracted	GM	GM	GM	GM

	Development of Grant Eligibility Requirements and Proposal Process	Grant Management	Technical Oversight	Financial Management	Communication	Oversight of Construction
	grantees. GM's Technical Evaluation Panel (TEP); CRA Regional Approval and Financing Committees (CRAFs)	partners, or some combination)				
MCA-Malawi Small Grant Facility	Grant Technical Evaluation Committee comprising three members: two from MCA-M (Environment and Social Performance and Social and Gender Assessment Departments) and one from a relevant government Department or private institution (depending on the technical nature of the Concept Papers or Full Proposals to be evaluated). One or two independent consultants can also be hired to assist with the evaluation at MCA-Malawi's discretion.	Grants Management Officer (GMO); Grants Accountant (GA)	GMO and GA	GMO and GA	GMO and GA	GMO and GA



### *Was the GPF cost effective?*

The GPF was estimated to have provided just over \$114 million (Table 2) to successful projects by the Compact End Date (CED). A successful project is considered in this evaluation as one that entered and remained in the system until the project was completed. This is in contrast to a number of “unsuccessful” projects that received GPF funding and were then either terminated, closed, or voluntarily ended. When GP was presented in the MCC Indonesia Investment Memorandum in August 2011, the vision was for the GPF to provide \$253 million<sup>79</sup> in financing. By the time all grants were awarded, GPF had committed approximately \$239 million<sup>80</sup> in grant financing (approximately 95% of expected commitments). However, many of these did not progress completely through the system, resulting in final commitments on full grants of \$135.6 million (57% of the original commitment). Of these grant agreements, about 48 percent (\$114.3 million) of the initially committed funds, or 45 percent of the planned funds, were converted into productive grants, as shown in Table 12 above (Question 3). When GK grants are included in the calculation, this results in \$125.67 million of grant funding disbursed of \$252.6 million planned (49%).

The GPF spent \$142.58 million to run the Facility, including the PLUP and TAPP activities as well as disbursements made to grants that were later terminated (non-productive grants).<sup>81</sup> In other words, every dollar spent on the GPF generated only \$0.80 of productive grant activity (excluding GK grants). When GK grants are included, this amount rises to \$0.88. Excluding PLUP costs, every dollar spent on the GPF funded \$1.09 of productive grant activities. 53 percent of the funds spent on GPF overall (including GK grants and PLUP as a cost input) went into the operation of the Facility itself. Figure 14 below shows disbursements and spending relative to planned and committed funds.

It is also important to consider that several of the grantees (Windows 1, 3A, and 3B) had matching funds or partnership requirements. This model is similar to that of many grant funds, which require some form of financial contribution by grantees. In the GPF, Window 1 required at least a one-to-one matching by the grantee for each dollar of GP funding. The GPF co-financed projects in Window 3, meaning that the grantee had to furnish the remainder the project’s cost, and Window 1 had a partnership matching requirement. The total contribution of these successful grants (as of December 2017) was \$38.87 million of additional funding, bringing the total value of successful projects (excluding GK) to \$153.17 million. So, for every dollar spent, the GPF generated \$1.07 in total project value, with \$0.27 leveraged for every dollar spent. This changes significantly when the PLUP costs are excluded. With PLUP excluded, GPF generates \$1.46 in total project value per dollar spent, leveraging \$0.37 for every dollar spent.

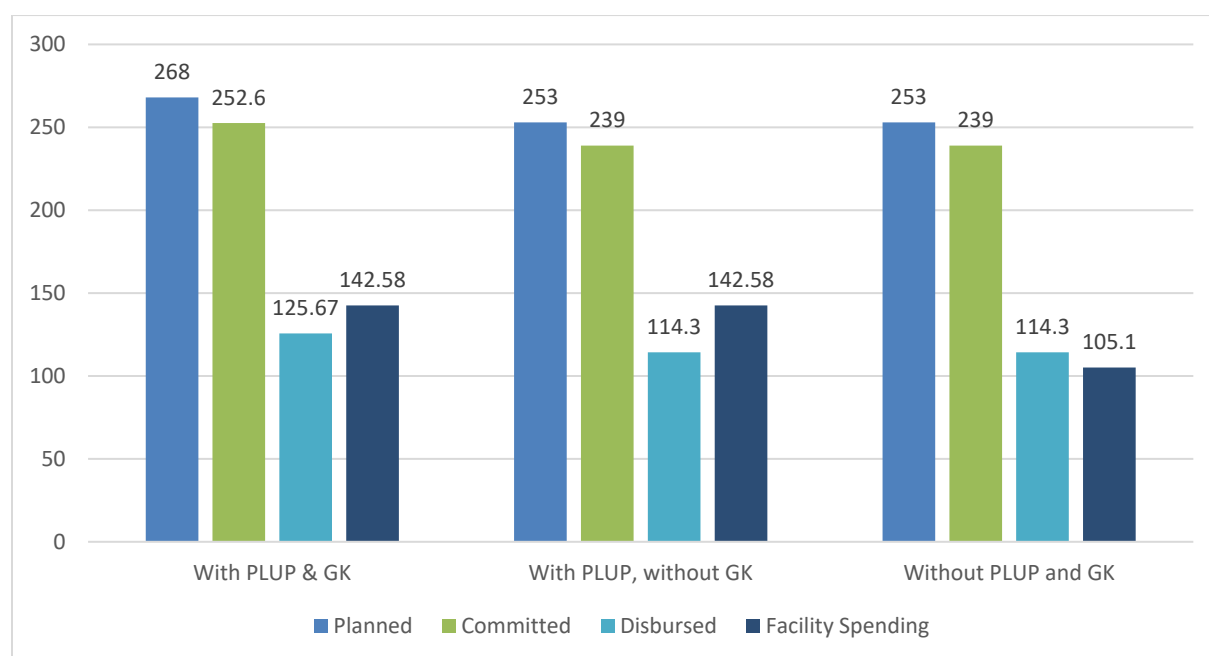
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<sup>79</sup> This figure is from a November 2014 presentation with an overview of the windows. This figure is an adjustment from the \$256.7 million expressed in the August 2011 Investment Memorandum. In November 2016, the target figure was further revised to \$136.6 million. For the sake of this analysis, the team chose to use \$253 million, as that was the assumed target through the period of grant implementation.

<sup>80</sup> Based on grant agreements received by the evaluation team. The last grant agreement the team received was issued in March 2017; however, the GPF continued making awards through July 2017, so the commitment figure may be slightly higher than what is expressed here.

<sup>81</sup> GK is not included in the cost calculation, as it was designed as a separate activity from GPF. The final GK portfolio had \$13.6m in committed funds (this figure excludes one GK grant that was terminated) and \$11.37m in projected disbursements as of January 2018.

**FIGURE 14: GP FACILITY COSTS AND DISBURSEMENTS**



The evaluation team also queried additional costs borne by grantees that were not covered through their GPF grant. Almost all grantees noted that they incurred additional costs that they were unable to recover from GP. Respondents noted that they were unable to budget for overhead expenses, which were not reimbursable, per the terms of the grant agreements. Several grantees also mentioned being unable to recover costs associated with developing the proposal, including the cost of consultants requested by MCA-I and travel expenses to Jakarta to meet with MCA-I. The interviews and survey results, though, show that there is some inconsistency among grantees on this issue. Some 62 percent of survey respondents (37 of 60) noted that they did not incur any additional costs, and those that did incur costs beyond GP noted several of the same issues as mentioned through KIIs. At the extreme end, one survey respondent estimates losses related to GPF of up to \$500,000, noting that MCA-I “disallowed indirect personnel costs, and the delays due to slow responses and strict rules caused serious losses.” Other respondents provided an estimated figure of \$12,000 to \$200,000, and another estimated their non-reimbursed cost at 10% of the total project budget. Though the team was unable to empirically estimate the total non-reimbursed cost across grantees, the overhead cost alone (estimated at 10% for each grantee) could represent approximately \$11 million in grantee costs incurred toward the GPF. The grantees that noted these additional costs incurred suggested that the cost of doing business with MCA-I would likely be prohibitive for many organizations in Indonesia.

***What did the Facility achieve in terms of grants awarded and outputs or outcomes?***

GP awarded a total of 86 grants to grantees across all windows, including GK. By CED, there were 67 productive grants (73 if including GK) that made it to completion. Five of the grants (4 GPF, 1 GK) were terminated through the course of implementation. This results in a grant completion rate of 93.6 percent for grants that (a) received awards through GP and/or (b) made it past the TAPP stage (Window 3B only).

When assessing the Facility's achievements in terms of outputs and outcomes, the team reviewed the Facility's progress against the M&E plan, as well as qualitative data gathered through interviews and focus group discussions. Table 18 below summarizes the findings:

**TABLE 18: OUTPUT AND OUTCOME FINDINGS<sup>82</sup>**

MCA-I Indicator	Findings
Modelled reductions of GHG emissions	At the time of data collection, MCC had hired a GHG emissions measurement consultant to provide findings against this indicator.
Estimated hectares improved, rehabilitated, or protected through sustainable practices	146,023 (actual)/498,382 (target) = 29% achievement. This figure is current as of September 30, 2017. The indicator is disaggregated by sustainable agriculture, sustainable land management, and protection. Of these, protection was the closest to reaching its target, with 78% achievement, and sustainable agriculture was the furthest from the target, with 3% achievement. Grantees noted that the delays in disbursements caused them to miss planting season in some cases, so they would need to wait until the next planting season before being able to initiate some agricultural interventions. A survey respondent also noted that their grant was working to increase recognition of the customary rights of forests, resulting in protected forests.
Hectares of peatland mapped	0 (actual)/249,329 (target). At the time of the evaluation, the peatland mapping was still ongoing.
Canal blocking structures built	0 (actual)/372 (target). At the time of the evaluation, canal blocking had not yet been developed for Windows 1 and 2. The evaluation team spoke with two grantees working on canal blocking. Both had experienced delays, one due to a government regulation and another due to delays in procurement. One of the grantees was confident that they could meet their targets (albeit adjusted downward) by the end of the compact period.
Project participants trained through GPF-funded projects and/or partnerships	89,877 (actual)/136,973 (target) = 66% achievement. This figure is current as of September 30, 2017, and refers to participants trained through grant programs. Of the participants trained, 28,653 (31.88%) are female and 61,224 (68.12%) are male. Specific examples from grantees include: <ul style="list-style-type: none"> <li>• Training of 75 certification assessors (as of November 2017) for PLN and the Ministry of Energy</li> </ul> Training of vocational school teachers, plant operators, and high school graduates
Farmers trained	76,889 (actual), 23,929 (31.12%) female and 52,960 (68.87%) male. This indicator did not have a target, and the figure is current as of September 30, 2017. Specific examples from grantees include: <ul style="list-style-type: none"> <li>• Training farmer groups on how to cultivate and process coffee through green methods</li> <li>• Certification of oil palm farmers through IFCC</li> <li>• Capacity building for farmer cooperative members, including business training, marketing, financial management, networking, and cooperative governance training</li> <li>• Improvement of production and quality of rice</li> <li>• Using farmers' groups as a means for training and information exchange among farmers</li> <li>• Training of banana farmers in irrigation techniques</li> </ul>

<sup>82</sup> Unless otherwise stated, the actual figures are from the second to last quarter of GP implementation (quarter 19).

MCA-I Indicator	Findings
	<ul style="list-style-type: none"> <li>• Training community forest groups, women farmer groups, and community forest users in planting calliandra to diversify crops</li> <li>• Training and assistance on farm business and post-harvest processing</li> </ul>
Kilometers of distribution lines upgraded or built	0 (actual)/138.9 (target). At the time of the evaluation data collection, RE work was ongoing and had not yet produced outputs.
Households provided with RE source	0 (actual)/3,240 (target). At the time of the evaluation data collection, RE work was ongoing and hadn't yet produced outputs.
Customers added by project	0 (actual)/10,352 (target). At the time of the evaluation data collection, RE work was ongoing and had not yet produced outputs.
Renewable energy sold to PLN	48 (actual). There was no target for this indicator. The grantee that contributed to this indicator noted that the grant from MCA-I enabled smooth operation of the microhydro. They also noted, however, that the advice provided by the project management consultant was often irrelevant and not based on site visits.
Generation capacity added	0 (actual)/27.2 (target). The RE projects contributing to this indicator expect to have progress by CED. One grantee noted that they would be able to increase power to 21 hours per day, as opposed to the four or five they currently have in the area.
Special Purpose Vehicles established	5 (actual)/6 (target) = 83%. As noted in response to Question 2, this mechanism represented a major positive contribution and increased prospects for sustainability, according to grantees. A survey respondent also stated that the SPV created capacity building opportunities for community members.
Community benefit sharing (CBS) plans established	0 (actual)/10 (target). These plans represented a barrier for several grantees working in Window 3B, as they required grantees to share financial data, including profit. As a result, some grantees withdrew from the Facility.

#### ***Are the benefit streams modeled in the cost-benefit analyses appropriate and/or realistic?***

To assess the benefit streams, the evaluation team took a random sample of five ERRs in Window 2 and reviewed all ERRs in Windows 1 and 3. The selected ERRs covered all major portfolios (sustainable agriculture, renewable energy, Social Forestry/CBNRM, and Peatland). Table 19 presents the typical ERR calculation sheet for a GPF project in Windows 1 and 2, illustrating the first six years of the project. For each year, it determines the benefits and costs with the project and the benefits and costs without the project. The grantee's costs are then determined for each year.

The "without project" net benefits and grantee costs are subtracted from the "with project" net benefits to yield a total annual net benefit. The table shows that the net benefit is generally negative in the first few years because the costs exceed the benefits and the benefits take longer to materialize. The total net annual benefit costs are then used along with the discount rate to calculate the ERR using a standard formula. In the case below, the ERR is 21 percent over a twenty-year period.

**TABLE 19: TYPICAL GRANT ERR SPREADSHEET**

Compact Year	3	4	5	6	7	8
Project Year	1	2	3	4	5	6
	<b>WITH PROJECT</b>					
Expected Yield (kg/ha) - Cohort 1	415	480	530	600	700	900
Expected Yield (kg/ha) - Cohort 2		415	480	530	600	700
% of Cocoa Price Obtained - Cohort 1	77	83	91	100	100	100
% of Cocoa Price Obtained - Cohort 2		77	83	91	100	100
Total Farmer Revenue	\$ 48,926,707	\$ 68,384,962	\$ 80,173,795	\$ 96,057,888	\$110,689,584	\$136,638,384
Hired Labor (off-farm) per Farmer - Cohort 1	140	160	200	224	224	224
Hired Labor (off-farm) per Farmer - Cohort 2		140	160	200	224	224
Hours of Foregone Labor (on-farm) per Farmer - Cohort 1	40	100	160	200	200	200
Hours of Foregone Labor (on-farm) per Farmer - Cohort 2		40	100	160	200	200
Total Farmer Costs	\$ 29,793,600	\$ 48,783,000	\$ 66,364,400	\$ 81,981,200	\$87,083,200	\$87,603,200
Net Farmer Revenue	\$ 19,133,107	\$ 19,601,962	\$ 13,809,395	\$ 14,076,688	\$23,606,384	\$49,035,184
	<b>WITHOUT PROJECT</b>					
Total Farmer Revenue	\$ 45,513,216	\$ 54,995,136	\$ 54,995,136	\$ 54,995,136	\$ 54,995,136	\$ 54,995,136
Total Farmer Costs	\$ 14,352,000	\$ 17,342,000	\$ 17,342,000	\$ 17,342,000	\$ 17,342,000	\$ 17,342,000
Net Farmer Revenue	\$ 31,161,216	\$ 37,653,136	\$ 37,653,136	\$ 37,653,136	\$ 37,653,136	\$ 37,653,136
Net Farmer Benefit	(12,028,109)	(18,051,174)	(23,843,741)	(23,576,448)	(14,046,752)	11,382,048

Grantee Cost	5,425,000	7,233,333	1,808,333	1,176,000
		7,233,333		
		3		
Total Annual Benefit	(17,453,109)	(25,284,508)	(31,077,074)	(25,384,781)
				(15,222,752)
				11,382,048
ERR over 20 year project life	21.0%			

According to MCC documentation, “MCC cost-benefit analysis methodology does not quantify global benefits; only benefits to the country that receives the compact funds are counted in cost-benefit analysis, not benefits that may accrue to people in other countries.”<sup>83</sup> This statement, while correct, does not address the other benefits that the MCC cost-benefit analysis methodology does not quantify, such as local environmental benefits. A key component of the grantees’ applications was to demonstrate alignment with GP objectives, including reduction in GHG and local environmental benefits. However, many of the environmental benefits were excluded from the ERR. Over a twenty-year period, it is possible that the quantified environmental benefits may have been larger than the benefit streams listed in the ERR. Because of the exclusion of environmental benefits from the ERR, it is possible that grantees’ benefits were underestimated in the calculation.

For Windows 1 and 3, though there are important benefits that are not monetized, the projects are undertaken for benefits that are valued in the market, making the ERR relatively easier to calculate. The ERR can therefore be used to screen and prioritize grantees. Additionally, these projects are larger than those in Window 2 on average, with an average award amount of \$5.4 million for Window 1 and \$9 million for Window 3, and so the cost of developing the ERR is relatively lower. The average grant in Window 2, on the other hand, is about \$900,000. Additionally, the grantees in Windows 1 and 3 tend to have access to the kind of expertise that is needed for the ERR calculation, whereas Window 2 grantees admitted to a greater learning curve for this exercise. The evaluation team reviewed several of the ERR calculations for Window 2 and found them to contain many assumptions about the future that could not be verified by the evaluation team. While production, cost, and pricing estimates may be reasonable in a vacuum, actual values are tied to markets, which neither MCA-I nor the grantees evidenced through robust analysis. While some projects, like cocoa, are amenable to this kind of analysis (and this analysis may have been undertaken by the implementing partner), others are more evasive. Social forestry and environmental protection projects, for example, provided unconvincing ERRs that suggested returns in as early as year 1 of the project and remaining constant until year 20. The evaluators failed to identify from where these returns might be derived in a project focused on growing trees for future harvest.

As previously stated in Question 2, there is widespread uncertainty regarding the value of the ERR for Window 2 grantees, with MCA-I staff even questioning its appropriateness for these grants. The potential futility of this exercise is based on the following assessment:

- The grantees were coached to ensure their ERR met a threshold—ostensibly 10%—with some exceptions. This go/no-go threshold for proposals is high motivation to ensure that the results meet the threshold, whether or not they are realistic.

<sup>83</sup> Indonesia Compact Second Annual Review, 2015.

- Markets are far more complex than what ERR analyses suggest. For a global commodity, like cocoa, for example, prices have historically fluctuated significantly. For example, in September 2008, the price of cocoa dropped from over \$3000 to just over \$2000 per ton over a two-week period.<sup>84</sup> Further, local markets do not always align with global markets, making pricing difficult. The cost of inputs may also vary considerably. A global commodity like cocoa is more straightforward to predict than some of the other products. If the market is flooded with fish, the price may reduce, but this kind of analysis is not present in the ERR calculations.
- There is no consideration for non-financial benefits in the ERR. Forest conservation, for example, may increase carbon sequestration, which can be calculated with a detailed inventory analysis and future growth calculations in terms of tons of carbon—but carbon price predictions are highly unreliable. Biodiversity, however, is more difficult to measure in terms of ERR, and to measure gender empowerment in financial terms diminishes the true value of the result.
- The ERR, by its very nature, does not account for who benefits from the returns. Therefore, it may obscure inequalities within beneficiary groups, suggesting that an overall threshold is acceptable, even though the benefits could be usurped by specific segments of the population.

MCA-I respondents acknowledged that it would take approximately six months per grant to calculate ERR properly. As stated under Question 2, grantees were generally positive when discussing the ERR, citing that it had encouraged them to explore the full range of financial benefits that could be derived from the project over a relatively long period of time; however, few had ever referred to it again after it was originally constructed and had not been held accountable to the projected ERR.

In the online survey, the evaluators asked, “Do you know the estimated ERR for your project?” Nineteen percent of the respondents did not know their ERR. For those who knew their ERR, the survey asked the extent to which ERRs were based on realistic estimates of expected impacts resulting from your project. Some 83% (24 of 29) of respondents said that their ERRs were realistic. Some suggested that not all activities should be included in the ERR calculations. For example, a grantee suggested that there could be more emphasis on building the capacity of local NGOs and that the costs for this capacity building should be outside the ERR. At the same time, several MCA-I staff commented that the Economic Analysis Team was under-resourced and short on time. The respondent also mentioned that MCC’s requirement on financial analysis was lacking, despite the presence of an ERR requirement.

#### *Items and Quantity Included in the Benefit Stream*

In assessing the items in the benefit stream, the team sought to determine if these were typical or primary benefits of a similar project. For example, kilowatt hours of clean energy is a typical renewable energy project benefit. Hotel or in-house stays is a typical ecotourism benefit. Similarly, crops are a typical benefit of an agricultural project. Benefits included in the benefit streams included: honey, salt, coffee, cocoa, food crops, electricity, timber, and household stays, among others. The team reviewed technical documentation including Technical Appraisal Panel notes to ascertain whether these benefits were warranted. In this review, the team did not identify any benefits that they considered to be unrealistic, nor were there key benefits directly related to project activities excluded from the analysis.

Quantities are based on yields or on the technical nature of the equipment. Determining the quantity of kWh generated is a standard calculation based on the verified technical information in the

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<sup>84</sup> International Cocoa Organization.



proposal. On the other hand, determining the yields in one plot of land versus that in another location, or the amount of product that a market can absorb, is a much more complicated task. In the case of primary products such as cocoa (example above) or electricity, the assumption within the CBAs is that the market can absorb production. This assumption also appeared in grantee applications: that products developed through the project could be sold at the market in predicted quantities put forward by the grantees. However, these claims often did not come with detailed evidence of market analysis. With limited time to approve grants for funding, the MCA-I economics teams in most cases accepted grantees' claims and included them in the CBA without further inquiry, and these were later approved by MCC. Likewise, in reviewing the evidence to support grantees' claims of secondary benefits, the team found that in some cases, there were no in-depth studies to substantiate the assertions in the applicants' feasibility study, yet they were included in the CBA.

### *Valuing Benefits*

In most cases, the methodology that MCA-I used was to simply take the feasibility study outputs and multiply them by the market price in the nearest market where data was available to yield the benefit.<sup>85</sup> This is a realistic approach when the goods are currently being sold and the quantity produced is purely marginal. This would be the case for cocoa, which is sold on world markets, and the increased output from the project is extremely small relative to the quantities bought and sold.

A different methodology is warranted and used in the case of electricity, with two possible cases:

#### **Electricity Benefit Valuation**

**Case 1:** The new RE system supplies consumers that already get power from another source, and this simply reduces the cost of that power. It does not increase the supply. Here the value of the benefit is simply the quantity consumed times the difference in price between the current supply and the RE supply. The team did not identify any concerns with this approach.

**Case 2:** The new RE system is supplying households that either have not had access to electricity or do not get sufficient electricity with their current system. The generally accepted way of addressing this is the economic concept of Consumer Surplus (CS) for new power, plus the reduction in cost for those units of electricity that the new system is replacing. Conceptually, MCA-I uses that approach. There are different methodologies for estimating the CS of electricity, and MCA-I used a revealed preferring the method of willingness to pay.<sup>86</sup> The following is the formula used by MCA-I:

$$\text{incremental benefit} = \left[ Q_1 \cdot \left( P_1 - \frac{1}{\beta} \right) \right] - \left[ Q_0 \cdot \left( P_0 - \frac{1}{\beta} \right) \right]$$

$Q_1$  is the quantity of electricity that is produced by the new RE grant activity. It is determined by technology and resource availability.  $Q_0$  is the original amount of "electricity" consumed. In essence, this method takes the quantity of energy consumed from household surveys and converts it all to be used in lighting. In MCA-I's case, they start with the monthly expenditure on energy, which may be for candles, kerosene, or firewood, for example, that the family indicated they used for lighting. They then convert this to the kWh equivalent the family was purchasing. MCA-I assumes that the new use of electricity is 100% for lighting. Though the team deems this a reasonable assumption for estimation purposes, it is unlikely that households fully convert to

<sup>85</sup> Market price adjusted for distortions such as subsidies.

<sup>86</sup> MCA-I used the method employed by the Asian Development Bank, "Measuring Willingness to Pay for Electricity", EDR Technical Note Series No. 3. This method is a generally accepted estimation technique.

electric lighting and drop all other forms of lighting, or that all energy use is exclusively related to lighting, so the benefit may be overestimated in this case.

The methodology chosen by MCA-I to estimate the benefits of new electricity is appropriate, but there are problems with how it is applied. One potential problem with the valuation of benefits is the use of national averages that mask important regional differences. For example, per capita income (2015) in South Sulawesi is 2.6 times higher than that of East Nusa Tenggara.<sup>87</sup> Thus, if monthly expenditure on lighting is 10 percent lower than the 25,000 assumed, or 22,500, for example, this could tip the ERR from just above 11.43 percent to 9.55 percent, below the threshold ERR. Similarly, the reverse could have taken place with projects being rejected. This evaluation did not have the resources to gather the detailed provincial data to accurately determine household expenditures and thus calculate the willingness to pay on a provincial basis. However, the provincial-level data was readily available to MCA-I and could have been used in the ERR calculations.

Furthermore, the methodology does not account for income constraint. Thus, it is possible that the “willingness to pay” will exceed household income, as was the case for some ERRs reviewed. In a constrained calculation, the willingness to pay would be limited by household income or expenditure and provide a more realistic assumption.

Additionally, for households that already have access to electricity, the assumption that all new energy will be used on lighting is not reasonable. The parameters used by the MCA-I methodology will differ, as household consumption and expenditure patterns change from location to location (as above) and are different from those households that have not had access to electricity to those that do have access. We know that these differences do take place from household expenditure surveys such as those available from SUSENAS.<sup>88</sup> The ERR calculations are very sensitive to the level of pre-project expenditures on energy. MCA-I assumes that all households served by the project expended IDR 25,000 per month on lighting. However, expenditure varies by region, and a moderate difference from the IDR 25,000 can significantly impact grant eligibility.

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## CONCLUSIONS

The findings show that over 50 percent of all GPF expenditures (with or without GK grants) went toward the operation of the Facility itself, with less than 50 percent supporting productive grants. This greater than 1:1 relationship between operational spending and grant support is not ideal, and the evaluation team anticipates that if a similar exercise were completed for other grant facilities, GP would not be deemed cost effective. Even when leverage is taken into account, the ratio of operational cost to project funding (including leverage) is only slightly better, at 1:1.37.

When concluding about cost effectiveness, it is important to have a valid point of comparison. As mentioned in the limitations section, there is no valid comparison for the GPF, so it is not possible to come to a definitive conclusion regarding cost effectiveness. That said, the high ratio of operational spending to grant and project funding, combined with the absence of significant progress against stated results in the M&E plan and high number of contractors as compared to other MCC facilities, strongly suggests that the GPF was not a cost-effective activity.

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<sup>87</sup> [Statistik Indonesia 2016](#) (PDF) (in Indonesian). Jakarta: Badan Pusat Statistik. 2016.

<sup>88</sup> SUSENAS is the National Socioeconomic Survey of Indonesia. MCA-I uses some of the data from SUSENAS in the ERR calculation.

Though the results are few within the “line of sight” of the M&E plan, there are some encouraging outcomes that emerged from the interviews and survey with grantees. Particularly noteworthy are the outcomes related to increased women’s empowerment. The perception that women are taking on productive economic roles in the community, combined with the earlier findings related to the usefulness of the SGIP in project planning, suggests that the MCA-I requirements and focus on women’s economic empowerment through that portfolio has generated some positive social changes in the communities where grantees are working.

The economic rate of return was used to determine whether projects met the minimum criteria to be accepted into the GPF. It was realistic but could be improved for electricity by using provincial-level data rather than national level, especially when determining willingness to pay. Had the GPF had the full time for project development and implementation, as well as further research to inform the ERRs, then it is possible that more projects might have qualified for a grant. Should the number of eligible grantees exceed the resources available for funding, the ERR could then have been used as a ranking tool, rather than a minimum standard.

In reviewing the renewable energy benefit streams, the team found them to be both appropriate given MCC’s guidance on environmental benefits and, in most cases, realistic. The exception to this is the assumption that households will convert to 100 percent electric lighting use when electricity is available to them. The team’s experience is that this is overly optimistic, and a lower estimate of use may have resulted in more realistic benefit calculations. That said, the exclusion of environmental benefits from the ERR may have underestimated potential benefits offered by grantees.

For natural resource and agriculture-oriented grants, the ERR proved to be both rewarding for many grantees, who were led to think about all the ways their results would benefit intended beneficiaries, and a somewhat futile attempt to measure benefits, on which grant proposals were assessed. Not only did the grantees have limited capacity to complete such an exercise, but the ERR calculation did not account for some of the core benefits that Window 2 grantees would claim, and the ERR was never used except as qualification criteria for an award. Though the ERR is entirely appropriate for traditional MCC investments, the Window 2 grants are categorically different from these investments, and this was especially evident with the ERR calculation.

## 5.5 FINDINGS AND CONCLUSIONS FOR EVALUATION QUESTION 5

*What were the key successes, challenges, and lessons learned with respect to operationalizing the GPF at each stage of work?*

### FINDINGS

This section deals with the successes, challenges, and lessons learned at each stage of GPF. These stages are categorized for heuristic purposes into (1) design and preparation, (2) call for proposal, and (3) implementation. The closeout phase had only just begun while the field work was conducted for this study, so although it is alluded to, any findings are preliminary.

#### *Design and Preparation*

As discussed in response to Questions 1 and 2, the design was generally regarded by respondents as innovative and meeting a niche need in Indonesia. MCA-I staff reflections in a focus group were that there should have been fewer projects, on a larger scale. Contrarily, the reflection of the director of a major international NGO not involved in the GPF was that grants are considerably too high risk and too much money for most domestic NGOs to handle. However, as discussed in response to Question 2, the design of the Facility that deals with both large and small grants, across a wide range of sectors, is unique in the Indonesian<sup>89</sup> landscape and aligns with the Government of Indonesia's desire to award grants to local NGOs.

As identified by MCC, there was a gap in design understanding between the business-as-usual infrastructure-focused design and the MCA-I design. An MCC internal document demonstrated awareness of this by stating that there is an indication of:

Mismatch between MCC's operational model, with its emphasis on infrastructure construction, and the components of the Indonesia compact. Ideally, we would have had other benchmarks for compact readiness (for example, a completed and approved operations manual instead of a pre-feasibility study).<sup>90</sup>

This challenge permeated throughout the implementation phases of the MCA-I and took several years to iron out, according to a senior MCA-I manager, contributing to the delays in project implementation and continued differences in reporting expectations. An MCC respondent explained that the traditional MCC model says, "if we do less, they do more," but this approach is not effective in the Indonesian context. Indeed, the 2013 Compact Annual Review noted that "we have seen country ownership increase with more engagement from MCC, not decrease,"<sup>91</sup> reinforcing the need for greater MCC involvement to assist the Compact with achieving its milestones.

Similarly, one of the most fundamental missing design elements was consistency with Indonesian realities in terms of whether the Facility was in the business of grantmaking, lending, or procuring, as discussed in response to Question 1. Another inconsistency arose concerning the acceptance of risks related to the amount of control that lead agencies have. According to a senior official, the SATKER absorbs all the financial (and some political) risk of MCA-I but has no control over operations. The respondent was quite disheartened that upwards of \$143 million will be returned to

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<sup>89</sup> The extent to which the model is unique in the world is outside the scope of this evaluation; however, this was the claim of several respondents at MCC, MCA-I, GoI, and among grantees.

<sup>90</sup> Indonesia Compact Annual Review 2013.

<sup>91</sup> Indonesia Compact Annual Review 2013.

the United States and that all the liabilities for financial accountability will be transferred to SATKER. The respondent was adamant that if the GoI were afforded more control over operations, including having key government staff inside the MCA-I structure, then things would have turned out quite differently.

An international NGO grantee observed that the mistakes made through the GPF were reminiscent of ones that the Multi Donor Fund made in Aceh following the tsunami in 2004. The respondent compared the structure and design of the two facilities and suggested that right from the start, MCA-I was so focused on its uniqueness that it neglected to learn from the experiences of similar institutional arrangements. As one of the projects hailed as a success by MCA-I, the respondent suggested that a major part of their success was in hiring a significant number of staff (10%—including key positions of finance, procurement and leadership) who had experience with the Economic Development Financing Facility (EDFF), the Facility under the Multi-Donor Fund. The respondent suggested that MCA-I was “created in a vacuum”, which contrasts with the claims from MCC that MCA-I that they had learned from other donors in its design.

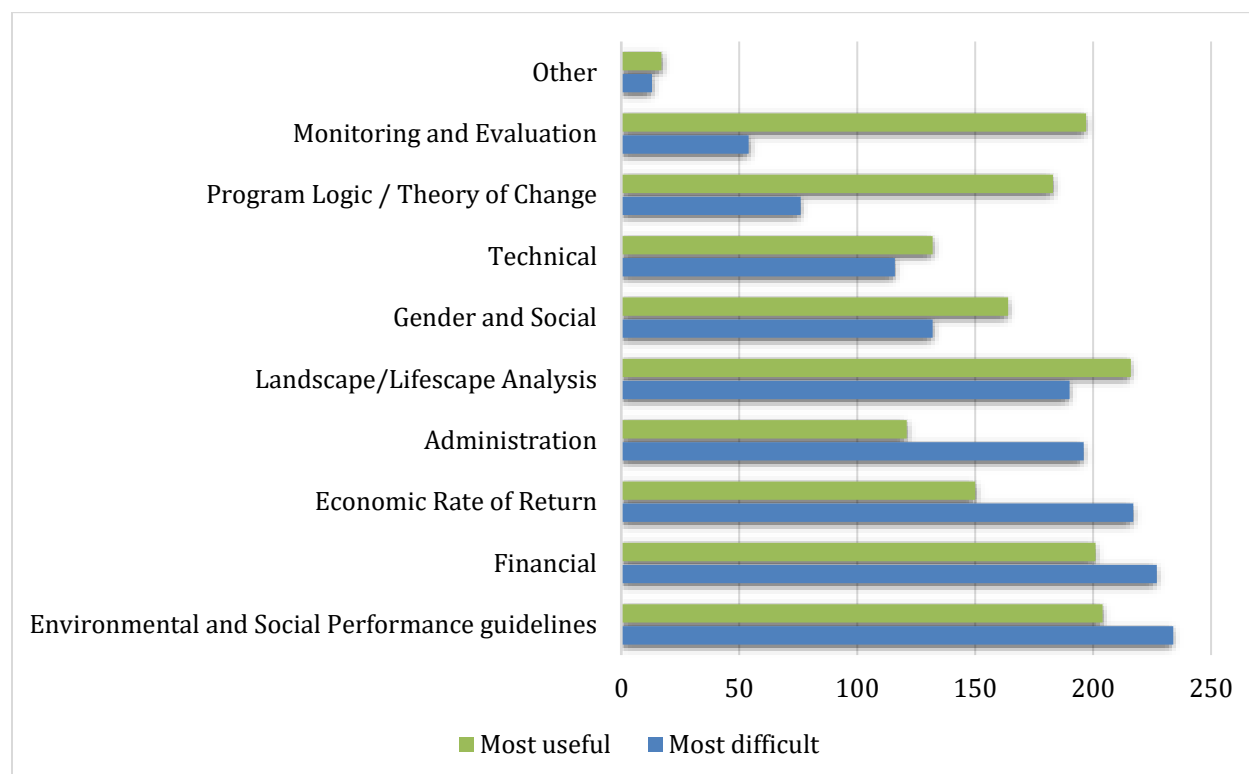
Another challenge for the GPF was the Project Management Information System (PMIS). As discussed in the design and preparation section of this report, the PMIS design did not start until implementation began, but an operational version was launched in March 2015, according to a project management contractor. The PMIS is discussed in the design and preparation section because, according to respondents, it should have been done prior to implementation. The co-occurrence of the development of the PMIS and the implementation of programming resulted in problematic reporting and inconsistent requirements of grantees vis-a-vis reporting requirements that the system could accommodate. The result was constantly changing reporting requirements: and a poor PMIS, according to an MCA-I manager. Another MCA-I manager said that the PMIS “totally failed” and, at the time of interviews, was not completed. A project management contractor described the PMIS as a “black box” and said that they had to hire a special consultant to understand the PMIS and train grantees on how to use it (a claim that the developer of the PMIS disputes). Grantees commented that the PMIS was very confusing at the beginning because it kept changing, but by the time of interviews, was “okay.” A grantee commented that they were instructed that emails were “not valid” concerning anything that could go into the PMIS, which limited discussion on any nuances that the PMIS could not accommodate. While many users of the PMIS pointed to the development of the PMIS as the problem, changes to the PMIS required time, meaning that there was a constant delay between procedural changes and the PMIS’s ability to accommodate those changes. Together, these changes were a source of frustration for both users and developers of the PMIS.

### *Project Call and Selection*

The grantmaking process itself was generally regarded positively by respondents. For example, 65 percent (21 of 32) responded that the quality of financial guidance by MCA-I was three to five stars (out of five) and 88 percent (28 of 32) affirmed that the quality of support from GPF on environmental and social safeguarding was three to five stars. Window 2 respondents rated this support the highest at 71 percent and 92 percent, respectively. The other windows had too few respondents to the question to provide valid comparison. At the same time, respondents found that some of the most challenging aspects of the application were the most rewarding. For example, the online survey showed that the top two most challenging aspects of the application were also among the most useful.

The figure below shows the aspects of the application that applicants found most challenging and most useful, scored by ranking.<sup>92</sup>

**FIGURE 15: USEFULNESS AND DIFFICULTY OF APPLICATION COMPONENTS**



Other aspects of the application process, such as the project logic/theory of change and monitoring and evaluation planning, were not challenging but were relatively rewarding, especially for Window 2 applicants. The Economic Rate of Return (ERR) was ranked as challenging but not useful.

Of the applicants whose proposals were rejected, 55 percent of respondents felt that the GPF's decision was justified (although the sample size was not large enough to be representative for rejected applicants). These applicants responded to the online survey that they understood that they may not have met the requirements or that there were valid technical reasons that their proposals were rejected, although some reported that they were rejected based on bureaucratic oversights. As one respondent claimed, "I did not put ONE paper inside the application, and [I] cannot revise after I submit the application. I have the paper in hand, I just forgot to put it inside."

Several respondents mentioned that even in the process of the call for proposals, guidance changed. There was substantial confusion during the proposal process in which proposals were asked by MCA-I to be revised several times, with often conflicting advice or recommendations. Others mentioned that important details were missing from the call, which should have influenced project proposals. For example, a grantee mentioned that had they known the extensive procurement

<sup>92</sup> Ranking scores are weighted calculations. Items ranked first are given a higher value or "weight." The score, computed for each answer option/row header, is the sum of all the weighted values. The weighted values are determined by the number of columns, which is usually the same as the number of rows but can be less if using the option to Limit Ranked Items. (see <https://help.surveymizmo.com/help/rank-score>).



requirements at the beginning, they would have included a procurement consultant in their application budget.

Some respondents reflected that there was a lack of understanding of the grant target audience's capabilities. According to one senior MCA-I official, "The market was unknown to us . . . At local levels, there were a lot of issues with authority—MCA-I didn't expect that there would be so many problems at local levels, but this was a major obstacle since the projects were 'truly cross-cutting' from forestry to energy." The respondent argued that neither Bappenas nor the MCC fully understood the characteristics of their average intended target in Windows 2 and 3. Another respondent commented that, "one problem is that MCA-I did not do any kind of assessment at the beginning to understand the capacities and systems that grantees had for financial management. This should be different for next time."

According to respondents, PLN, for example, saw a reduction in the number of poor quality developers when it instituted a deposit requirement. The 2015 Indonesia Clean Energy Development II Project Annual Report states that, "There seems to have been something of a shake-out of developers . . . . This development may be related to PLN's changed policies, where deposits must be made for place holding in obtaining a power purchase agreement (PPA). Therefore, the development costs are such that only serious developers will move projects forward." Another MCC respondent commented that GPF, "went to market with calls for proposals and asked for project ideas and teams with consultants—we got what we got".

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## IMPLEMENTATION

As mentioned, parsing the preparation and implementation sections is a heuristic exercise since these phases occurred concurrently in practice. In this section, implementation is discussed in terms of (1) finance, (2) procurement, (3) administration and management, and (4) grantee capacity building and learning.

### *Finance*

Financial reporting and disbursements were among the most stated challenges noted by MCA-I and grantees alike. Over 53 percent (15 of 28) of respondents to the online survey cited that financial reporting requirements were difficult. Although cited as a challenge, 74 percent (23 of 31) of respondents in the online survey said that the MCA-I financial management system was beneficial to their projects, and 26 percent (8 of 31) said that it was detrimental. On reflection, an MCA-I manager in charge of financial disbursement reflected that the problems they incurred were unavoidable. It was not a matter of being pressed for time but of the complex requirements for reporting and claim making. However, the respondent clarified that these requirements have generally been simplified in comparison with other major donors such as the UNDP and World Bank. The respondent did nevertheless recommend that the GMT should have been put in place near the beginning of the project and with enough time before implementation to establish and document robust procedures.

Although challenging, grantees learned a great deal from the MCA-I financial management systems. One grantee commented that "[MCA-I] finance is exceptionally complicated," but that the financial controls and requirements are good. The problems are, according to the respondent, "short time with changing tools and no guidance." The grantee commented that they have improved their own standards within their organization in response to GPF requirements, especially with regard to financial management.



Financial disbursements and project monitoring are closely aligned, since the disbursement requires financial and project report approvals. Grantees and MCA-I alike noted that this was problematic, especially in Window 2, where the projects were considered high risk and sometimes put on monthly reporting cycles. A GMT staff member commented that one month is simply not enough time to go through the approvals, especially when reports need to be adjusted. As a result, disbursements were often delayed to grantees. Another manager continued to explain the ways in which they prioritized disbursements by perceived urgency, signaling that the human resources were insufficient to process the volume of disbursement requests, especially when coupled with the amount of feedback and revision that was required to meet the high accounting standards enforced in the GPF.

In the online survey, 58 percent (18 of 31) of respondents reported that disbursements adversely affected their project. This figure fares better than interview results, in which disbursement problems ranked only behind changing guidance as the most cited challenge for grantees, cited by 68 percent (24 of 35) of grantees. Disbursement delays resulted in what grantees often referred to as “self-financing,” which some understood as being explicitly required by MCA-I and others as prohibited. A grantee explained that MCA-I regulations on this oscillated. “It was fine at the beginning”, she explained, “then there was a case, and it was not allowed, then it was allowed again.” Another grantee mentioned that MCA-I “always owes me \$200,000.”

Financial policies and procedures were reported as in a constant state of flux throughout the project, not only in terms of reporting requirements, but also as it relates to eligible costs. A grantee described the challenges they experienced when a policy around the taxi receipt threshold changed to Rp 100,000, under which no receipt was required. But the policy was made retroactively, according to the grantee which caused a number of ineligible expenses.

An MCA-I manager working in finance echoed that the quality of financial reporting “improved a little bit” over the course of implementation, but generally the same problems in grantee reports continued until the end of the implementation period.

### *Procurement*

Procurement was another significant challenge for the grantees. Over 60 percent (17 of 28) of online respondents cited that the procurement systems were difficult. However, overall, 73 percent (19 of 26) of the respondents to the online survey said that the procurement systems were beneficial to the implementation of the projects. Respondents appreciated how these robust systems could be used as tools to prevent corruption and ensure good prices.

Most complaints from grantees pertaining to procurement centered around (1) the time that approvals took and (2) the changing rules. The procurement rules were sometimes viewed as too stringent and time consuming by some grantees. One grantee mentioned how the requirement to advertise procurements and produce radio ads was ineffective and took a lot of time. Tied closely to the time requirement was the VAT (sales tax) exemption, which had to be approved after the supplier was selected but before the purchase agreement was signed. Since the VAT approval took five or six weeks, often the equipment was either no longer in stock or the price had changed, in which case the process had to start over again. Another grantee critiqued the MCA-I procurement system by saying the thresholds were simply too low. The respondent continued to explain that the procurement had to be advertised in the newspaper and kept open for at least 20 days. He mentioned that other donors have easier requirements that are more efficient. Another grantee commented that they have been waiting for the approval to purchase livestock for several months and were unclear at the time of

interview first, whether the approvals would come in time before the end of the project, and second, if so, whether or not there would be sufficient time for training. Grantees in similar situations were creative in managing time delays due to procurement. One Window 2 grantee was able to borrow the same equipment model that they were procuring from the local university and provide training on it while they waited for the equipment to be approved and delivered.

A Window 2 grantee recounted how MCA-I mandated new procurement rules midway through procurement calls in May 2017. She mentioned how the rules for procurement were changing and that with every approval request, new rules were implemented. She questioned why MCA-I didn't simply use established procurement rules set up by USAID or other reputable sources. Another MCA-I respondent mentioned that the 600-page Project Procurement Guidelines were too complex for the kinds of procurement and grantees that GPF was working with. He mentioned that MCA-I does not have enough authority, and MCC has to approve too many "small" purchases of USD 25,000 or less, which contributed to time delays. A Window 2 respondent explained that, "If MCA-I had told us at the beginning, then they would have hired a procurement specialist that understands government procurement rules." He continued by explaining that they "keep having to readjust because expectations were not clear at the beginning." Another grantee, however, noted that government procurement rules are even more complicated, so in comparison, the MCA-I system was not that bad.

An MCA-I manager commented that the procurement systems are those that work well for major infrastructure projects but not for GPF programming. Procurement was challenging in remote areas, where reputable vendors do not always have tax numbers or the registration documents required by MCA-I, which in some cases forced grantees to expand the procurement to a national level, ultimately resulting in greater expense.

Procurement was also a source of conflict with communities. Several respondents commented that delays or cancellations in procurement were interpreted by local communities and governments as broken promises. Another source of conflict with the communities was the requirement for registration documents of the supplier. A Window 2 grantee recounted that:

MCA-I has very strict procurement regulations. They contradict with our work in the community. For example, we need to purchase a machine. . . . We want to find local vendors to make the machine, but MCA-I told [the project management contractor] to buy it from Surabaya. MCA-I thought there would be more credible vendors in Surabaya. During the activities in the village, they ordered food from the village, but MCA-I wanted them to have a catering company with an official stamp.

### *Administration, Management, and Reporting*

The comment of a grantee summarizes the sentiments of many GPF stakeholders: that MCA-I must "fix their internal management." Another concurred, suggesting that MCA-I has been very helpful with technical matters, but their "bureaucracy is a monster." Another respondent commented that: "communication is also a huge mess. We can't pick up the phone and call the person in charge. We have to email GAST, they triage the request, then it goes to MCA, then back through GAST, to us."

The evaluation team attempted to portray the process and timeframes by which reporting occurred but found that there was too much variability and too little certainty to do so. The Operations Manual does not outline in detail how reports are to be processed and approved, and the evaluation team was not issued the finance manual it requested. Suffice it to say, according to responses from grantees and MCA-I alike, the administrative and reporting processes were plenty and lacked clarity.

Grantees commented that the administrative burden of the GPF was excessive. One said, “70% of my time went to managing MCA-I and keeping us out of bankruptcy.” Another mentioned that administrative and reporting requirements occupied 50 percent of their time, where it should have been 20 percent. Another respondent reflected on the administrative burden of the project, claiming that they were taking resources away from the delivery of results in the project. Respondents used words like *berat* (“heavy”), *susah*, and *sulit* (“difficult”) to describe both the grantmaking and management processes within GPF. The core problems, according to respondents, were (1) time pressures created by inefficiencies in the first two years of the Compact, as discussed in Questions 1 and 5, and (2) a lack of agreement within the Facility of what grantmaking entailed. An MCA-I senior manager reflected that “people in MCC don’t understand grants. They operate on a procurement model and see grantees as contractors.” This sentiment was echoed by MCC respondents as well. This, according to the respondent, has been a constant source of tension between MCC and MCA-I since the beginning and is closely related to the design issue of whether or not GPF would be able to issue loans, as discussed in response to Question 1. He continued to describe how MCC systems considered grantees as vendors, which requires a different management system and skill set than grantmaking.

Respondents, both grantees and MCA-I, described the reporting, management, and administrative systems as constantly changing. Grantees in a focus group called for “clear and consistent business processes for the GPF implementation.” One of the most mentioned challenges for grantees and MCA-I staff was repeated changing of the rules without notice, reason, and in contravention of previous agreements. Examples provided by no fewer than seven grantees interviewed included changing the duration of business plans partway through the process, renegotiated contractual terms after contracts were signed, and changing reporting requirements partway through implementation. An MCA-I staffer explained in a focus group that: “We don’t have guidelines. This is the reason why grantees have to make the report back and forth . . . there are no central guidelines.” One grantee stated the sentiments of many in saying that, “at the beginning, it wouldn’t have been a problem if they had told us what to do.”

A number of respondents from MCC, MCA-I, and the grantees reflected that the preparations were not a finite stage of work but continued throughout the implementation and closeout stages. One respondent echoed the thoughts of other grantees, stating that: “MCA-I is learning by doing. Sometimes they change the standards, especially for reporting. The victim of this is the grantee. MCA-I must make a standard for everything and then the grantees will know what to follow.” The word “victim” (*korban*) was echoed by other grantees as well in reference to changing policies and procedures.

While some respondents used the word “victim” euphemistically, no fewer than four others were legitimately concerned by intimidation and threats of legal action and the loss of funding by MCA-I and the project management contractors. As another grantee stated:

The power dynamic with MCA-I is really off. You are at MCA-I’s mercy, and they are constantly threatening to cut your funding. Other donors view grants as more of a partnership, and MCA-I treated us like we were lucky to be there. With other foundations, you get someone to help you send the proposal in and get someone to help you understand what the donor is looking for. With MCA-I, there was no communication through the concept note or proposal process. . . . There is the constant threat that we wouldn’t get paid or would have to pay money back.

An MCA-I respondent mentioned that staff: “don’t have time to learn and assess, [or] think about learning because the emphasis is on all of the requirements and preparation. [We are] focusing on how to get the project running rather than results.” By the end of the project, a senior MCC manager reflected, “I don’t know that we’ve learned anything. . . . I don’t think there has been any systematic purposive approach to learning about the facility; at least not in house because everyone is busy implementing.”

Requirements aside, there were several issues faced in the implementation of a complicated reporting regime. A grantee described the reporting process as a “total disaster” and that “no one checked the narrative reports for 9 months to a year, but they check the financial reports very closely.” The respondent explained that the PMC started checking the narrative reports after a year. “We once had a delayed disbursement because of a footnote,” explained the respondent.

Related to the earlier point of late disbursements, several grantees suggested that internal disagreements between the PMC, for example, and MCA-I created substantial confusion and delays. Several respondents also said that changing human resources contributed to inconsistencies and changing standards. Some respondents believed that this was partly a capacity problem with the staff. A grantee gave an example in which they made a payment request, but the person at MCA-I changed, and the request got lost. The grantee continued to explain that different staff interpreted the rules differently, causing problems for the grantees who had to repeat the same tasks several times.

While some MCC respondents were of the perspective that the capacity for this kind of Facility is difficult to find in Indonesia, others in MCA-I considered it a problem of hiring people with the wrong expertise. As one MCA-I respondent asked, “how can we hire oil and gas people to do this work?”, referring to the earlier staff hired to implement a lending or procurement model. Another perspective from the BAPPENAS is that “we hired good people, but they did not know how to spend the \$600 million.”

There were some noticeable differences of understanding and tensions among MCA-I and its project management contractors. There was palpable discontent with one contractor specifically. One respondent said that they failed on engineering and technical issues especially, which was outside their immediate terms of reference, but it needed to be done. The respondent explained the contractor as “big flop.” Grantees working with this contractor were also disappointed. One grantee mentioned that the contractor didn’t visit the site and provided irrelevant advice. Others complained that the contractor could take up to four weeks to respond to reports, which delayed payments, and on several occasions would not abide by the terms of the grantee’s contract with MCA-I. The other project management contractors were generally regarded as helpful, although some grantees were not aware of the differences between the project management contractors and MCA-I itself.

The contractor cited problems of direction from MCA-I and that they were only called in once proposals had already been submitted, which was too late to provide any meaningful inputs that could have made implementation go more smoothly. MCA-I managers also admitted that the terms of reference for the contractor were not specific enough and expectations beyond their contract were placed on them. According to an MCA-I respondent, the contractor did not have enough budget to do its job properly.

Alignment between MCC and Government of Indonesia regulations caused significant delays. Representatives from BAPPENAS and SATKER reflected that they had very little influence in the

operations of the GPF. One influential official to get the Compact signed described how his ideas were not accepted by MCA-I, so since then, he has not wanted to invest time into it.

Another issue was that the relationship between MCA-I and the project management contractor was not always fluid, and the extent to which the contractor was able to make decisions was limited. A grantee explained:

[The project management contractor] refuses to give a direct answer about how their activities need to be adjusted. Even [The project management contractor]'s solution is to just get the excavator in to plant the trees. The role of the [contractor] is to help them re-strategize, but that isn't happening. Instead of saying, re-evaluate, [the contractor] is just pushing [the grantee] to finish as planned. [They are] tasked to have everyone finish their grant.

Several leaders in MCA-I suggested that they also lacked the authority to be more effective. One manager captured the sentiments of many in saying that MCC's experience is with infrastructure projects in which their approval is required for large investments. He emphasized that this is not the GPF model, and the imposition of this approval system had the effect of making several aspects of procurement and administration difficult.

There were some innovative approaches to reduce the burden of reporting, which depended on the accountable agencies. For example, one of the project management contractors began accepting reports by WhatsApp (a popular social media application in Indonesia) when MCA-I requirements specified weekly reporting near the end of the implementation period. This shifted the burden of finding access to a computer and land-based internet for grantees, and the project manager formatted the data for MCA-I.

### *External Policy Challenges*

A Window 2 interview respondent mentioned that there were very few policy obstacles at the national level, but at the district level there were several delays related to local regulations. Respondents to the online survey concur, with most emphasizing the importance of local government to understand the projects and implement permits but noting that often inconsistencies in awareness or application of national regulations proved problematic and required effort to change. Even where policies have been addressed at national levels, there are several levels of government that need to study the policies and revise local regulations to accommodate change. This has been a challenge for the GPF and its grantees. Local permits have been difficult to obtain and often required considerable effort on behalf of both GPF and grantee stakeholders. Some policy challenges were made difficult to mitigate due to the coincidence of GPF implementation and restructuring within the GoI, specifically the shift of power from national and district levels to provincial levels.

Respondents mentioned these changes in the context of changing forest authorities. A Window 2 respondent mentioned that this was complicated by general confusion at the national and provincial levels in which authorities were shifting toward the provinces, which made seeking permits for forestland use difficult. In this case, the district level authority over forests was disbanded, but the provincial level authority had not yet been mobilized.

Further, implementers and local governments were not always familiar with policies at upper levels of government and did not know how to meet requirements. An MCA-I respondent explains:

In Compact, I found that fulfilling all MCC's requirement (substantive and administration)—the standard is quite high. And there's no adaptation from government's regulation, when the government regulations became the obstacle because we need to align with them as well. If we comply with government, it became unsupportive to the project; for example . . . the government required permit for small micro-hydro, the constructors did not know about the rules.

As a result, local government regulations proved an obstacle for some projects. One grantee explained:

The Local Government . . . makes it difficult for the establishment of cooperatives, because the minimum amount of capital ownership of cooperative establishment is very high (Rp 25 million). . . . So the [cooperative] cannot be [a] legal body.

### *Capacity Building of Grantees*

From all of procurement, finance, and administration, respondents suggested that they have learned from their experience. In a focus group, a grantee referred to GPF as a “university degree in project management.” Grantees and MCA-I expressed that they learned a great deal during the implementation of the projects and the administrative systems. Several grantees acknowledged that, although stressful at times, they were able to build their capacity as an organization. MCA-I staff also discussed how much they learned (including through their struggles). Another grantee explained:

We have never previously prepared so many documents: ESMS, ESMP, SGIP, LLA, ERR. The obligation to prepare these documents made us realize that the planning of a program must be thorough and comprehensive.

Green Knowledge, as discussed in response to Question 1, offered little by way of capacity building to grantees, and the evaluators struggled to find evidence of any actors in the GPF applying learning from Green Knowledge activities.

The TAPP grants were found to be useful by many grantees; however, a GPF window holder commented that grantees should not be able to choose their own consultants. This created confusion, according to the window holder, and inconsistencies in service delivery. It would make more sense, the respondent commented, to have a predefined list of trained consultants who understood MCA-I requirements. Another project manager in the Facility explained that “the consultants chosen by the applicants were of poor quality.”

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## **PORTFOLIO LEVEL FINDINGS**

Although there were specific successes for each portfolio, such as the policy mechanisms that enabled RE projects to proceed and peat restoration projects to commence with reduced bureaucracy, the main challenges at the portfolio level were derived from the Facility. Other portfolio-level challenges, such as alignment with local government regulations, applied to all portfolios.

The effects of the challenges were experienced differently but compounded problems in similar ways. For example, one of the issues with delayed disbursements for agriculture and reforestation projects was that payment delays meant not only deferring activities until payment was made, but until the next growing season. Similarly, projects involving infrastructural development had to wait until the weather was favorable for construction, requiring them to wait until the rains had finished.



Though some projects were held up as relatively successful, the grantees of these projects suggested that the processes in place at MCA-I made their work very difficult. MCA-I confirmed that even large organizations familiar with international donors struggled with MCA-I systems, showing that there was not significant variance in the experience of grantees across different portfolios or Windows.

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## CONCLUSIONS

The GPF is a large and complex project. It is, as many respondents commented, “unique” in Indonesia if not the world in terms of developing a grantmaking facility that facilitates different levels of government, private sector, and civil society to work together toward a set of goals, as broad as those goals might be. It is therefore not unexpected that there would be several major challenges toward effective and efficient implementation. The sentiment of most respondents, including MCC, MCA-I, the Government of Indonesia, and grantees, is that these challenges were excessive. The most salient of these challenges were quite clear across the data collected: (1) time pressures, (2) inconsistent and unclear policies and procedures, and (3) inefficient bureaucracy and lack of communication within the GPF team. These challenges are clearly interrelated. For example, time pressures were created by inefficient bureaucracy, especially in the first three years of the Facility; and by changing regulations, which created delays in financial disbursements, procurement, and interim report approvals. The conclusions below are based on these three findings.

### *Shortage of Time*

Time pressures were a result of the so-called “missing years” during the first management regime of the GPF. The first year and a half of a facility such as this is often dedicated to the development of standard rules of engagement and concrete workplans. While some explanation was provided that the work on setting the systems was done and then discarded, this discarded work was not accessible to the evaluators. The evaluation team is therefore not clear whether these claims can be substantiated and what, if anything, was accomplished in the first year and a half.

Although the ethereal problem of the original Facility director was often cited by respondents, the question of how non-productivity could be sustained for three years is not entirely clear but may point to unclear lines of responsibility among MCC, SATKER, and the MCA-I board more broadly. While some of the causes may be related to what respondents described as the wrong staff and management hired at early stages, there remains a strong sense of reactive leadership and lack of decision making that allowed time to disappear.

### *Changing Policies and Procedures*

The findings clearly indicate that the preparation phase of GPF was persistent throughout the implementation phase. As such, while the concept of GPF was well regarded by stakeholders, it lacked the detail that necessitated effective implementation. Sentiments from MCC, MCA-I, and grantees alike point to unfocused adjustments to the program, with limited demonstration or communication of the logics of the change. Most grantees accepted changes under duress, with only a few verbalizing discontent to higher levels at MCA-I. The fact that discontent was not voiced more loudly is unsurprising, provided that the power dynamics among grantor and grantee are such that grantees would be hesitant to complain too visibly for fear of losing funding.

The changes in policy and procedures can be explained partly by the time pressure in which, as several respondents noted, regulations were developed as the projects were being implemented. Another contributing factor was the high staff turnover, which could also be related to poor



management or lack of productivity in the first half of the Facility's operation. Although natural for organizations to adapt and change as they learn, respondents in this evaluation considered the changes excessive by any measure. The evaluation team concurs that if policies were clearer, better documented, and more thought out prior to implementation, the experience of MCA-I staff and grantees alike would have been very different. Comments about the amount of time spent on administration, not only meeting rigorous requirements but redoing them to meet changing needs, often with no evidence of prior attempts to communicate changes to grantees, made for inefficiencies both in MCA-I and among grantees. Further, since changes were made after grantees had already made commitments to communities, they could hardly go back on those commitments even if it meant that they were overstretched.

The challenges would be more palatable to all stakeholders if there was a strong sense that the GPF learned anything from them, but respondents are not optimistic on that point. There was considerable learning, however, from the grantees, which is discussed shortly.

### *Bureaucratic Obstacles*

There was a good deal of finger pointing among parties within the GPF system. Different MCA-I staff had different interpretations of rules and different experiences on which they, in good conscience, managed their areas of responsibility. A third factor affecting changes is what several respondents termed as "stove piping." Grantees experienced this with the conflicting inputs from, for example, the PMC, procurement specialist, GMT, and Window holder. Lack of coordination among staff and consultants within the GPF, caused in part from pressure to get projects moving, created significant confusion both within MCA-I and with grantees. Related to this issue is the notion that, especially in the early stages of GPF, there were inappropriate staff in place who could not provide the leadership required to set up, for example, the PMIS, and to direct the development of the Operations Manual and other required guiding documents and systems. By the time the "right" staff and management were put in place, they were left with too little time and were pushed to start implementing, meaning that ill-conceived guiding systems were launched that required adjustments, as discussed above.

### *Successes*

The very creation of MCA-I is one indicator of success to many respondents. Evaluators heard repeatedly that MCA-I and the GPF are innovative and meeting an important niche in Indonesia. It is therefore lamentable, in many regards, that MCA-I has a sunset clause built into it and that all the systems developed and capacity built will fade away once the Compact closes.

The GPF was also successful in engaging many grantees and sub-grantees who have benefited from the "trial by fire" that was their experience with MCA-I. Small to large NGOs were especially appreciative of the new learning that they had developed in terms of operational, financial, procurement, gender, and environmental processes and screenings. Although these processes were nearly universally the source of "headache," many of the grantees believe that they are stronger organizations because of it.

## 5.6 POLICY IMPLICATIONS

The evaluation team developed policy implications for MCC to consider as they design future grant facilities for other Compacts. Policy implications for the GoI (if any) will appear in the two-page summary described in section 6.2.

- 1. Plan for longer period of implementation:** Although the five-year timeframe for MCA-I was bound by MCC constraints, it proved insufficient to achieve many of the anticipated results. In the specific case of GP, pressures created by the short timeframe were compounded by implementation delays. Even considering these mobilization delays, the planned implementation timeframe of three years would have still been too short to achieve many of the long-term objectives of the GP, especially relating to social and economic development. Efforts to build on the efforts of the GP in Indonesia would be in a better position to achieve sustainable results if the implementation timeframe had been five to ten years.
- 2. Use the due diligence period prior to Compact signature to come to clear agreements on the legality and governance of proposed projects.** Many of the delays experienced by GP can be attributed to (1) faulty assumptions about the design and financing mechanisms to be undertaken by GP and (2) lack of clear roles and responsibilities around decisionmaking. To overcome this, MCC may want to consider adding two key deliverables to the due diligence period: (1) an independent legal assessment to confirm the legality of the proposed model and to identify potential legal or policy barriers and (2) a decision matrix that details which parties are responsible for key decisions, stakeholders that should be consulted, and the level of authority required to make key decisions. The decision matrix should be adjusted throughout the life of the project as needs arise; however, the initial decision matrix should, at minimum, describe how GoI, MCC, and MCA-I are involved in each decision (such as project selection, changes to design, staffing changes, etc.). The due diligence scope may be expanded to include examination of existing facility mechanisms to determine whether MCC has a comparative advantage in strengthening existing mechanisms (which would presumably extend beyond the fixed Compact period) or setting up a new mechanism.
- 3. Use LLAs to inform grant proposals at a broader level.** This recommendation integrates some misalignments between GP processes and philosophies. Taking the LLA as an example, the GP put the onus of developing the LLA on grantees. However, the focus of the landscape approach is on a geographical area bound by determined conditions. By charging grantees with LLA, the scope of the analysis may have been limited or different grantees conducted independent analysis within the same landscape. Because of the breadth that the LLA espouses, future efforts would be more consistent with landscape thinking if the LLA were conducted at the same time as the District Readiness Assessments or MOUs as a process broader than that which individual project grantees would consider. In this way, the LLA would inform grant proposals, which would be compelled to contribute to LLA-identified strategies or gaps. Doing this would also enable grant proposals to specifically respond to social and environmental safeguard issues, including gender considerations specific to the landscape.
- 4. Implement scenario planning to allow for timely and clear decision making.** Scenario planning involves forecasting and monitoring for potential issues that could arise through implementation and identifies “trigger events” that prompt pre-discussed action plans. Though GP had milestones for Facility startup, when these milestones were not met, there was confusion regarding how to course correct. By scenario planning, future facilities can

implement action plans almost immediately when an issue is identified or a milestone is not met, reducing the time required to correct course.

5. **Deploy a mobilization specialist team to set up the grant facility alongside the implementation team.** Several of the challenges experienced through implementation have their roots in unclear or incomplete guidance developed during the Facility preparation stage. For future grant facilities, MCC should deploy a specialized team to the MCA to drive the process of setting up all systems and procedures for the facility. The mobilization specialist team should comprise (1) an MCC staff member familiar with MCC requirements, (2) a host-country government representative who will continue to be involved throughout the Compact, and (3) an externally hired local consultant specializing in operations and business processes. The mobilization specialist team should be responsible for developing key deliverables in coordination with the permanent MCA/MCC team for the project, including policy manuals (operational and financial), performance monitoring systems, and reporting formats.
6. **Examine the MCC-specific requirements and determine their appropriateness for the facility.** Several respondents noted that some of the MCC requirements (ERR, SGIP) were not well suited to the types of grants funded by the Facility and may have served to only slow down implementation progress. For each requirement, MCC and MCA should conduct a tradeoff analysis to assess the added value of the requirement, the time required to fulfill the requirement, and the “fit” of the requirement to the operating environment. This examination should especially assess the benefits captured in the ERR calculation; in the case of GP, environmental benefits were excluded, which may have resulted in underestimating benefits, especially for Window 2. The evaluation team anticipates that many of the requirements will still be found appropriate, though perhaps with some adjustments to expedite the process or to accommodate the varying capacities of grantees.
7. **Proactively orient grantees to the MCC requirements and provide guidance on the amount of time and expertise required to fulfill the requirements.** Once the examination of the requirements is completed (number 4 above), MCC and MCA will have a strong sense of the types of capabilities that grantees will need to put forward so that they can fulfill the requirements smoothly, as well as the resources that MCA and project management contractors have available to support grantees. MCA should provide clear guidance to grantees about the expected requirements, how they should be sequenced, and what skills are needed, so that grantees can propose teams that are suited to the task of meeting the requirements. For example, MCA may consider requiring grantees to propose key operational or administrative staff that will be responsible for meeting the requirements.

## 6.0 NEXT STEPS AND/OR FUTURE ANALYSIS

### 6.1 DISSEMINATION PROCEDURES

Following data collection in Indonesia, SI prepared and submitted a trip report summarizing activities, sites visited, and individuals interviewed.

SI delivered a briefing of evaluation results in Jakarta at MCA-I on March 22, 2018, and will deliver a Washington, D.C.-based briefing on May 15, 2018. The presentation in Jakarta was followed by discussion to reflect on findings and provide comments for consideration as the team prepared the final report. The presentation in Washington, D.C. took place on May 15, 2018, and was followed by a facilitated discussion to (1) validate the findings and conclusions presented and (2) discuss action planning around the policy implications to facilitate use and uptake.

At SI's own cost, the Project Manager will follow up with MCC stakeholders at six months and one year after the completion of the evaluation to understand how the evaluation was used.

### 6.2 ADDITIONAL ANALYSIS AND DELIVERABLES EXPECTED

Upon completion of the draft evaluation report, SI shared the initial evaluation draft report with local stakeholders and MCC for review. SI responded to each of the comments in Section 8.4 below and submitted a revised version of the report on April 20, 2018, and a final version on June 11, 2018.

At MCC's request, SI also prepared an extra two-page summary of the evaluation with key findings and conclusions for policymakers within the GoI. The summary was shared with attendees at the presentation in Jakarta and translated into Bahasa Indonesia after submission of the final report.

### 6.3 CONSIDERATIONS FOR FUTURE ACTIVITIES

This section outlines some key questions for future proponents of initiatives that either build on GP in Indonesia or develop similar facilities in other countries. SI frames these considerations as questions that developers and policymakers may wish to think about in early design phases:

1. To what extent does an existing entity exist that could implement the initiative? This would require a survey of potential implementing entities that could achieve the objectives of the initiative without the burden of mobilization.
2. Are there ways to streamline the processes that address fundamental concerns of the initiative? In the GP case, examples might include landscape/lifescape analysis, participatory mapping and land use planning, environmental and social safeguards, and so on. The objective here would be to minimize redundancies among the required analysis and safeguards.
3. What are the supporting entities that the initiative will need, and how will these entities be integrated with the structure of the initiative? This question is important for considering the efficiency and effectiveness of using external contractors versus staff to manage the project, for which there may be practical and financial advantages and disadvantages. Planning this in advance would ensure more consistent implementation.
4. What are the roles and responsibilities of the funder, host government, and implementing agency, and what are the advantages and disadvantages of different levels of engagement of each party?
5. Do the requirements align with standards for the intended markets?

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46. Request for Proposals, Quality and Cost Based Selection (QCBS) GP-B-024, Government of Indonesia, Millennium Challenge Account – Indonesia (MCA-Indonesia), December 2014
47. Request for Proposals, Quality and Cost Based Selection (QCBS) GP-B-001, Government of Indonesia, Millennium Challenge Account –Indonesia (MCA-Indonesia), February 2014
48. Cocoa Revolution: High-Yielding Climate-Smart Cocoa Farms, May 2017
49. MCC Evaluation Microdata Documentation and De-identification Guidelines, January 2017
50. MCC Independent Evaluations Evaluation Management and Review Process, October 2014
51. Economic, Quality and Sustainability Improvement Project, May 2017
52. Indonesia ITT Narrative – Q17, For submission to MCC per 10 June 2017
53. MCA-Indonesia Monitoring and Evaluation Plan, 2017
54. U.S. Relations with Indonesia, Fact Sheet, Bureau of East Asian and Pacific Affairs, January 17, 2017, <https://www.state.gov/r/pa/ei/bgn/2748.htm>
55. World Bank Electricity for All: Options for Increasing Access in Indonesia, 2005
56. Dewan Nasional Perubahan Iklim, Indonesia. *Indonesia's Greenhouse Gas Abatement Cost Curve Analysis*, August 2010
57. Compilation of information on nationally appropriate mitigation actions to be implemented by developing country Parties, Framework Convention on Climate Change, 2013, <http://unfccc.int/resource/docs/2013/sbi/eng/inf12r03.pdf>
58. Climate Change Mitigation: Policies and Progress, OECD, 2015, [http://www.keepeek.com/Digital-Asset-Management/oecd/environment/climate-change-mitigation\\_9789264238787-en#page32](http://www.keepeek.com/Digital-Asset-Management/oecd/environment/climate-change-mitigation_9789264238787-en#page32)
59. Indonesia's Greenhouse Gas Abatement Cost Curve Analysis, Dewan Nasional Perubahan Iklim, Indonesia, August 2010
60. Pathways to a Low-Carbon Economy: Version 2 of the Global Greenhouse Gas Abatement Cost Curve, McKinsey & Company, 2009
61. The Landscape of Public Climate Finance in Indonesia, Executive Summary, Climate Policy Initiative, February 2014, <http://climatepolicyinitiative.org/wp-content/uploads/2014/02/The-Landscape-of-Public-Finance-in-Indonesia-Executive-Summary.pdf>
62. The Landscape of Public Climate Finance in Indonesia, Executive Summary, Climate Policy Initiative, February 2014, <http://climatepolicyinitiative.org/wp-content/uploads/2014/02/The-Landscape-of-Public-Finance-in-Indonesia-Executive-Summary.pdf>
63. About Indonesia Climate Change Trust Fund, ICCTF, 2017, <http://icctf.or.id/welcome-to-icctf/>
64. International Climate Fund – Mid Term Evaluation: HMG Assessment , Department for International Development, UK AID, [http://iati.dfid.gov.uk/iati\\_documents/4773708.pdf](http://iati.dfid.gov.uk/iati_documents/4773708.pdf)
65. Independent Evaluation of Climate Investment Funds, Volume 1: Draft Evaluation Report, June 2014, [https://www.climate-eval.org/sites/default/files/blogs/cif\\_evaluation\\_final.pdf](https://www.climate-eval.org/sites/default/files/blogs/cif_evaluation_final.pdf)
66. Halimanjaya, A, Nakhoda, S. and Barnard, S, The effectiveness of Climate Finance: a review of the Indonesia Climate Change Trust Fund, 2014, <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8898.pdf>
67. Annex 1: Cost-benefit analysis versus cost-effectiveness analysis, Water Governance in the Arab Region: Managing Scarcity and Securing the Future, [http://www.bh.undp.org/content/dam/rbas/doc/Energy%20and%20Environment/Arab\\_Water\\_Gov\\_Report/Arab\\_Water\\_Report\\_AWR\\_Annex%20I.pdf?download](http://www.bh.undp.org/content/dam/rbas/doc/Energy%20and%20Environment/Arab_Water_Gov_Report/Arab_Water_Report_AWR_Annex%20I.pdf?download)



## 8.0 ANNEXES

### 8.1 GRANT PORTFOLIO DESCRIPTIONS

#### Sustainable Agriculture

The relevant partnership grants are funding smallholder farmer training programs for cocoa, coffee, and palm oil to encourage sustainable agriculture practices and improve yields, which is expected to increase carbon sequestration and ultimately discourage further deforestation that would negatively impact GHG emissions. The commercial (on-grid) renewable energy grants in this portfolio that are investing in capturing the methane resulting from palm oil production also include a component that is intended to support palm oil mills and their independent smallholder supply base to get on the path to becoming integrated in internationally recognized certified sustainable supply chains, such as the Roundtable on Sustainable Palm Oil (RSPO), as well as compliance with Indonesian requirements, the Indonesian Sustainable Palm Oil (ISPO) standard. As part of the “path” to certification, these independent smallholder support programs encourage sustainable practices, improve yields, and assist them in broadening the market to increase their income and to comply with the sustainable development strategy and GoI priorities. The cocoa projects aim to promote certification and allow independent smallholder cocoa producers access to market premiums. They also aim to increase productivity, incorporate agroforestry, adopt Good Agricultural Practices (GAP), and support traceable supply chains. Sustainable agriculture is also a component for various products supported with Window 2 grants.

#### Peatland

In line with the GoI policy to conduct peatland restoration through the Peatland Restoration Agency, GP contributes to this effort through the funding of multiple grants. The objective of these projects is to reduce GHG emissions from peatland degradation through peatland restoration activities or encouraging appropriate forms of peatland cultivation. The grants also target low-carbon economic growth and avoidance of deforestation by working with smallholders in the surrounding areas to improve agricultural practices. In March 2016, an agreement of \$4 million was signed to form an Implementing Entity Agreement (IEA) with the Peatland Restoration Agency (BRG). Among other activities, the project is providing BRG with peatland hydrological mapping in areas bordering Berbak National Park, one of Southeast Asia’s largest remaining peatland areas, and in West Kalimantan.

#### Social Forestry

Social Forestry projects are implemented through the CBNRM grants. The projects include the promotion and strengthening of different types of social forestry in Indonesia, which encompasses community forestry (*Hutan Kemasyarakatan*), people’s forests (*Hutan Rakyat*), customary forests (*Hutan Adat*), village forests (*Hutan Desa*), partnership forests (*Hutan Kemitraan*), and people’s timber plantations (*Hutan Tanaman Rakyat*). The objective of these projects is to increase community income and emissions reduction through community-based forest management, rehabilitation of degraded land with agroforestry, community-based economic model development in natural resource management, capacity building, and institutional strengthening.

#### Women’s Economic Empowerment (WEE)

These grants are funded by Social and Gender resources and specifically aim to strengthen the capacity of women’s organizations in the low-carbon development path, while also improving women’s income and household nutrition security. They were signed with women-owned organizations. These grants technically fit under the other thematic portfolios but are being noted separately due to their unique goal of women’s empowerment.

#### Community/Off-grid RE

These grants fund community-based off-grid renewable energy projects (less than 3MW) to bring electricity and other forms of energy produced from renewable sources to communities that are not connected to the national grid. The expectation is that use of fossil fuels for energy will be displaced by these interventions and therefore GHG emissions will be reduced and/or avoided. The provision of electricity is also expected to support economic activity. The off-grid RE programs from Window 3A employ a unique component related to community ownership through a special purpose vehicle to manage the power plant with majority share (minimum 51%) owned by the community. Other off-grid RE programs have been funded through Window 2 and do not include the same ownership structure. These grants are intended to revitalize or build new off-grid RE systems utilizing small scale RE, such as hydro-based, solar, and biomass technology.

#### Commercial-scale/On-grid RE

These grants provide viability gap financing for commercial-scale renewable energy projects (less than 10MW) that will sell electricity to the national grid, operated by the Perusahaan Listrik Negara (PLN). These investments will increase the overall share of electricity produced from renewable sources. Eleven on-grid RE grants have been signed, though one has withdrawn, leaving 10 active grants. At the time of this report, many of the grants were in the process of being terminated, and it is expected that only 3–5 grants will remain active. Each of these grants includes a community benefit sharing component, such that communities adjacent to the power generation site may also benefit from the enterprise.

#### Ecotourism, fisheries, etc.

Other intervention types, such as ecotourism and fisheries projects, were expected to emerge from CBNRM grants, though one ecotourism-related grant was already signed under Window 1. In addition to providing livelihoods for local communities, this portfolio aimed to protect forest areas and land from degradation. However, this portfolio hasn't fully materialized, so it will not be studied under this evaluation.

## 8.2 FULL LITERATURE REVIEW

There is ample literature offering strategies, frameworks, and tools for identifying and measuring GHG emissions, put forward by a range of organizations from multi-lateral development banks, NGOs, and the private sector, among others. The World Resources Institute (WRI) developed the Greenhouse Gas Protocol Standard alongside the World Business Council for sustainable Development, and the Protocol continues to be the leading international standard for measuring GHG emissions.<sup>93</sup> WRI also developed the GHG Policy and Action Standard to provide a framework of principles, concepts, and procedures to estimate GHG effects and the impacts that reduction-aimed policies and actions may have.<sup>94</sup> Additionally, climate change mitigation and adaptation strategies, or sub-sectors of GHG emissions reduction strategies, have their own methods and frameworks for measuring GHG emissions, which are not necessarily based on the WRI standard, or any uniform standard, for that matter. The Asian Development Bank (ADB) has developed its Guidelines for Estimating GHG Emissions of ADB Projects, with additional guidance

<sup>93</sup> New Tools Help Businesses Measure Greenhouse Gas Emissions, World Resources Institute, 2017, <http://www.wri.org/our-work/top-outcome/new-tools-help-businesses-measure-greenhouse-gas-emissions>.

<sup>94</sup> Greenhouse Gas Protocol Policy and Action Standard, World Resources Institute, 2014, [https://www.wri.org/sites/default/files/Policy\\_and\\_Action\\_Standard.pdf](https://www.wri.org/sites/default/files/Policy_and_Action_Standard.pdf).

for transport projects,<sup>95</sup> the energy sector,<sup>96</sup> gender,<sup>97</sup> and water and sanitation.<sup>98</sup> Likewise, the FAO has guidelines for estimating GHG emissions in agriculture.<sup>99</sup> Despite the plethora of guidance, though, there are few publicly available studies that compare the effectiveness of strategies for reducing GHG emissions. Furthermore, though guidelines for measurement are widely available, few have been rigorously tested. Therefore, the literature review focuses on the various approaches to reducing GHG emissions, with particular focus on Facility-type models of responding to climate change mitigation needs in Indonesia.

### ***Approaches to Reducing GHG Emissions***

Indonesia has been a signatory to the UN Framework Convention on Climate Change (UNFCCC) since 1994. The Framework highlights that reducing GHG emissions is essential to responding to climate change, and requires actions by countries and individuals alike. At the national level, governments should focus on the large emitting sectors, namely energy and transport, to develop policies and measures that limit GHG emissions and enforce reduction targets. The UNFCCC also highlights the contribution of deforestation on GHG emission, and encourages countries to undertake activities related to reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forests, and enhancement of forest carbon stocks.<sup>100</sup> Many countries, including Indonesia, have also developed Nationally Appropriate Mitigation Actions (NAMAs), which lay out implementation plans to reduce emissions and enhance sinks.

Governments have taken a number of different approaches to reducing GHG emissions. At the policy level, the governments can participate in Emissions Trading Schemes (also known as cap-and-trade), which puts a cap on the total emissions that companies are allowed to emit, after which they are required to purchase allowances. These increase costs associated with higher emissions are then absorbed by the company, or passed on to the consumer, which is then intended to decrease demand for GHG emission-intensive forms of energy. The Organization for Economic Co-operation and Development (OECD) asserts that cap-and-trade (or emission trading schemes) provide more certainty around outcomes, but have generated little incentive to undertake structural changes needed to transition to a low-carbon economy.<sup>101</sup>

Another demand-decreasing strategy that is growing in popularity is carbon taxes, though the share of total emissions covered by energy and carbon taxes remains low.<sup>102</sup> These policies place

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<sup>95</sup> Guidelines for Estimating Greenhouse Gas Emissions of Asian Development Bank Projects: Additional Guidance for Transport Projects, Asian Development Bank, 2016, <https://www.adb.org/documents/guidelines-estimating-ghg-emissions-adb-transport-projects>.

<sup>96</sup> Guidelines for Estimating Greenhouse Gas Emissions of ADB Projects: Additional Guidance for Clean Energy Projects, Asian Development Bank, 2017, <https://www.adb.org/documents/guidelines-estimating-ghg-energy-projects>.

<sup>97</sup> Training Manual to Support Country-Driven Gender and Climate Change, Asian Development Bank, 2016, <https://www.adb.org/publications/training-manual-country-driven-gender-and-climate-change>.

<sup>98</sup> Guidelines for Climate Proofing Investment in the Water Sector, Asian Development Bank, 2015, <https://www.adb.org/sites/default/files/institutional-document/219646/guidelines-climate-proofing-water.pdf>.

<sup>99</sup> Estimating Greenhouse Gas Emissions in Agriculture, Food and Agriculture Organization of the United Nations, 2014, <http://www.fao.org/climatechange/41521-0373071b6020a176718f15891d3387559.pdf>.

<sup>100</sup> FOCUS: Mitigation - Action on mitigation: Reducing emissions and enhancing sinks, United Nations Framework Convention on Climate Change, <http://unfccc.int/focus/mitigation/items/7171.php>.

<sup>101</sup> Climate Change Mitigation: Policies and Progress, OECD, 2015, [http://www.keepeek.com/Digital-Asset-Management/oecd/environment/climate-change-mitigation\\_9789264238787-en#page30](http://www.keepeek.com/Digital-Asset-Management/oecd/environment/climate-change-mitigation_9789264238787-en#page30).

<sup>102</sup> Climate Change Mitigation: Policies and Progress, OECD, 2015, [http://www.keepeek.com/Digital-Asset-Management/oecd/environment/climate-change-mitigation\\_9789264238787-en#page17](http://www.keepeek.com/Digital-Asset-Management/oecd/environment/climate-change-mitigation_9789264238787-en#page17).

a price on GHG emissions, and aim to shift investment and behavior patterns. Indonesia does not currently participate in an emissions trading or a carbon tax scheme.

### Indonesia's GHG Emission Reduction Strategies

Indonesia's emissions from land use and deforestation are higher than all other sources of emissions in the country combined, accounting for 47% of its total GHG emissions,<sup>103</sup> though some estimates place this percentage as high as 85%.<sup>104</sup> The main drivers of deforestation in Indonesia are oil palm plantation monocultures,<sup>105</sup> forest fires, agriculture, forest production, and illegal logging. There are several ongoing studies around peat emissions in Indonesia, but inconsistent measurement practices have resulted in a relatively wide range of estimates of emissions from peat decomposition and fires, with most falling in the range of 0.75 to 1.5 GtCO<sub>2</sub>e.<sup>106</sup>

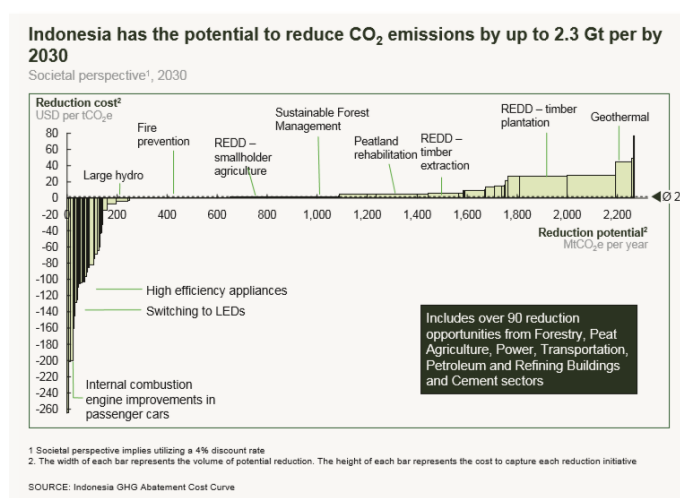
Indonesia's NAMAs aim to reduce GHG emissions by 29% unconditionally, or up to 41% with support by 2030 through seven key activities:<sup>107</sup>

- Sustainable peat land management
- Reduction in the rate of deforestation and land degradation
- Development of carbon sequestration projects in forestry and agriculture
- Promotion of energy efficiency
- Development of alternative and renewable energy sources
- Reduction in solid and liquid waste
- Shifting to low-emission modes of transport

These measures are consistent with UNFCCC recommendations for reducing GHG emissions. Indonesia does continue, though, to subsidize the consumption of fuel and electricity.<sup>108</sup>

The Indonesian National Council on Climate Change commissioned a GHG Abatement Cost Curve Analysis in 2010 to evaluate the potential that different GHG emission reduction initiatives have,

FIGURE 16: INDONESIA COST CURVE ANALYSIS



<sup>103</sup> Brown to Green: G20 Transition to a Low Carbon Economy, Climate Transparency, 2016, <http://www.climate-transparency.org/wp-content/uploads/2016/08/Indonesia-2016.pdf>.

<sup>104</sup> National Council on Climate Change, 2010.

<sup>105</sup> Singh and Bhagwat, 2013.

<sup>106</sup> Dewan Nasional Perubahan Iklim, Indonesia. *Indonesia's Greenhouse Gas Abatement Cost Curve Analysis*, August 2010.

<sup>107</sup> Compilation of information on nationally appropriate mitigation actions to be implemented by developing country Parties, Framework Convention on Climate Change, 2013, <http://unfccc.int/resource/docs/2013/sbi/eng/inf12r03.pdf>.

<sup>108</sup> Climate Change Mitigation: Policies and Progress, OECD, 2015, [http://www.keepeek.com/Digital-Asset-Management/oecd/environment/climate-change-mitigation\\_9789264238787-en#page32](http://www.keepeek.com/Digital-Asset-Management/oecd/environment/climate-change-mitigation_9789264238787-en#page32).

as well as estimate and compare the costs involved for each initiative.<sup>109</sup> The GHG Abatement Cost Curve model was developed by McKinsey & Company<sup>110</sup> to serve as a tool for identifying and measuring the reduction actions that are possible within a country. Use of this tool allows for comparison of GHG reduction initiatives *within a country*, as the conditions and technologies available, as well as the potential impacts of different initiatives, will vary country to country. According to the country's cost curve, Indonesia has the potential to reduce CO<sub>2</sub> emissions by up to 2.3 Gt by 2030, with over 75% of the opportunity in LULUCF and peat.

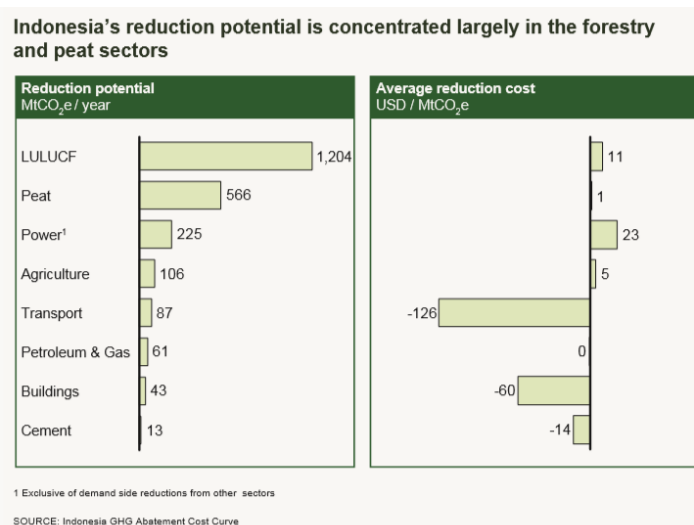
### Grant Facility Models in Indonesia

Climate finance plays a significant role in Indonesia's climate change mitigation and adaptation programming. The Indonesian Ministry of Finance and the Climate Policy Initiative (CPI) estimated in 2011 that international finance supplied approximately \$350 million of the \$950 million in climate funding mobilized in Indonesia.<sup>111</sup> Most domestic public climate funds support "indirect" activities, such as policy development and measurement, whereas international climate funds tend to support "direct" activities to support grants and loans.<sup>112</sup> Appendix 1 shows the flow of climate finance in Indonesia. Though there are many

finance mechanisms or facilities in Indonesia, none are directly comparable to the GPF, as they differ in terms of objectives, level of funding, type of funding, minimum duration of grant, and parameters. The ones that are most comparable to the GPF are the Clean Technology Fund (CTF), the Climate Investment Fund, and the Indonesia Climate Change Trust Fund (ICCTF).

The major climate funds operating in Indonesia are:<sup>113</sup>

**FIGURE 17: REDUCTION POTENTIAL BY SECTOR**



<sup>109</sup> Indonesia's Greenhouse Gas Abatement Cost Curve Analysis, Dewan Nasional Perubahan Iklim, Indonesia, August 2010.

<sup>110</sup> Pathways to a Low-Carbon Economy: Version 2 of the Global Greenhouse Gas Abatement Cost Curve, McKinsey & Company, 2009.

<sup>111</sup> The Landscape of Public Climate Finance in Indonesia, Executive Summary, Climate Policy Initiative, February 2014, <http://climatepolicyinitiative.org/wp-content/uploads/2014/02/The-Landscape-of-Public-Finance-in-Indonesia-Executive-Summary.pdf>.

<sup>112</sup> The Landscape of Public Climate Finance in Indonesia, Executive Summary, Climate Policy Initiative, February 2014, <http://climatepolicyinitiative.org/wp-content/uploads/2014/02/The-Landscape-of-Public-Finance-in-Indonesia-Executive-Summary.pdf>.

<sup>113</sup> Halimanjaya, A and Maulidia, M. The Coordination of Climate Finance in Indonesia, December 2014, <https://www.giz.de/expertise/downloads/giz2014-en-climate-finance-coordination-indonesia.pdf>.

**TABLE 20: CLIMATE FUNDS IN INDONESIA**

Fund Name	Donor or Trustee	Level of Funding	Type of Funding	Sector	Objective
<b>Climate and Land Use Alliance</b>	ClimateWorks Foundation, David and Lucile Packard Foundation, Ford Foundation, Gordon and Betty Moore Foundation	Over \$3 million in active grants	Grants	Sustainable agriculture	Support a shift to a low-emissions rural economy that enhances local livelihoods and reduces greenhouse gas emissions from forests and peatlands
<b>ICCTF</b>	USAID, Danida, DFID, DFAT,	\$ 11.4 million as of 2014	Grants	Project Management, Land base mitigation, adaptation and resilience, energy	The ICCTF is housed within Bappenas, and focuses on land-based mitigation, adaptation and resilience, and energy activities to reduce GHG emissions.
<b>Global Green Grants Fund</b>	Global Green Grants Fund	\$ 63 million since 1993	Grants	Community-based natural resource management	Channeling grants through Samdhana Institute to individuals, communities, and local NGOs working with capacity building, indigenous people issues, sustainable agriculture and forestry, and improving land use and NRM.
<b>Forest Investment Fund</b>	Various multi-lateral development banks (MDBs)	\$70 million	Grants and loans	Forestry	<p>Forest Investment Fund, a funding window of the Climate Investment Fund (CIF), provides direct investments to benefit forests, development and the climate.</p> <p>The finance is mobilized to support developing countries' efforts to reduce deforestation and forest degradation (REDD+) and promote sustainable forest management.</p>
<b>Clean Technology Fund</b>	Various MDBs	\$400 million	Grants and loans	Renewable energy	Financial support for scaling up low-carbon energy technologies



Fund Name	Donor Trustee	or Level of Funding	Type of Funding	Sector	Objective
<b>Global Environment Facility</b>	World Bank	\$150 million	Grants	Biodiversity, climate change, land degradation	Provides funds for countries to assist them in meeting objectives of international environmental conventions and agreements

The \$5.8 billion CTF is empowering transformation in developing and emerging economies by providing resources to scale up low carbon technologies with significant potential for long-term greenhouse gas emissions savings. Over \$3.8 billion (66 percent of CTF resources) is approved and under implementation in clean technologies such as renewable energy, energy efficiency, and clean transport. This is expected to leverage another \$38 billion in co-financing. The Dedicated Private Sector Programs (DPSDs), created under the CTF to finance large-scale private sector projects with greater speed and efficiency, have allocated a total of \$467 million to geothermal power, mini-grids, mezzanine finance, energy efficiency, solar PV, and early-stage renewable energy programs so far. The DPSDs are intended to deliver scale (in terms of development results and impact, private sector leverage and investment from CTF financing) and speed (faster deployment of CTF resources, more efficient processing procedures), while at the same time maintaining a strong link to country priorities and CTF program objectives. The DPSPs have utilized a programmatic approach where MDBs collaboratively identified private sector funding opportunities.

The CIF is one of the important funds for projects aiming to reduce GHG emissions. It is financed by the World Bank, European Bank for Reconstruction and Development, Asian Development Bank, African Development Bank, African Development Fund, and Inter-American Development Bank. Its targeted programs include:

- The Forest Investment Program (FIP), approved in May 2009, aims to support developing countries' efforts to reduce emissions from deforestation and forest degradation by providing scaled-up financing for readiness reforms and public and private investments. It will finance programmatic efforts to address the underlying causes of deforestation and forest degradation and to overcome barriers that have hindered past efforts to do so.
- The Scaling Up Renewable Energy Program (SREP) in Low Income Countries, approved in May 2009, is aimed at demonstrating the social, economic, and environmental viability of low carbon development pathways in the energy sector. It seeks to create new economic opportunities and increase energy access through the production and use of renewable energy.

In 2009, the government of Indonesia established the ICCTF with the Ministry of National Development Planning Decree No. KEP 44/M.PPN/HK/09/2009, dated on 4<sup>th</sup> September 2009. The ICCTF is designed as a National Climate (Trust) Fund (NCF), which aims to develop innovative ways to link international finance sources with national investment strategies. ICCTF's work is supporting the Government in achieving its mitigation and adaptation targets, through the implementation of national and local mitigation and adaptation actions.<sup>114</sup> The ICCTF mobilizes, manages, and allocates funding in alignment with GoI priorities related to GHG emission mitigation and mainstreaming of climate change issues into national, provincial, and local development planning. The ICCTF began with a series of 'pilot' programs to 'learn by doing' as the Facility was getting up and running.

<sup>114</sup> About Indonesia Climate Change Trust Fund, ICCTF, 2017, <http://icctf.or.id/welcome-to-icctf/>.



## **FACILITY EVALUATIONS**

There have been a handful of evaluations of climate funding mechanisms or facilities that are publicly available and relevant to GPF, which present some lessons learned for the design of this evaluation, and for the design of future facilities. The mid-term evaluation of the UK International Climate Fund (ICF) (2014) had similar objectives to the GPF evaluation, and took a case study approach across three countries – Ethiopia, Kenya, and Indonesia. In Indonesia, the evaluation team found that the ICF was able to align with existing policy frameworks, but this limited ICF's scope for influence. It also noted regulatory and market barriers as key challenges faced by the Fund to get grants disbursed; however, by 2013 the enabling environment for renewable energy had improved.<sup>115</sup>

In 2014, the Overseas Development Institute (ODI) conducted an evaluation of the CIF, which operates primarily through MDBs.<sup>116</sup> The CIF relies on MDBs for implementation, oversight, safeguards, and accountability, and therefore is not a strong candidate for comparison with the GPF. ODI also conducted a review of the Indonesia Climate Change Trust Fund (ICCTF), which is the first national government trust fund institution in Indonesia.<sup>117</sup> ODI found that the ICCTF faced some challenges in grant disbursement and administration. Particularly, it was difficult to get the steering and technical committees to meet to review grant applications and make awards. ODI concluded that the ICCTF grants are generally small and likely to have limited impact, but that the Facility could see higher impacts once its operational strategy is realized. The grants are intended to influence policy, and the Ministry of Agriculture plans to develop a set of national guidelines on peat land management based on findings of two projects funded through ICCTF. ODI observed that the linkages between the ICCTF Secretariat (hosted by Bappenas) and the National Action Plan for Greenhouse Gas Reduction and National Action Plan on Climate Change initiatives need to be strengthened.

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### **8.2.1 GAPS IN LITERATURE**

There are ample studies that propose methodologies for evaluating GHG emission reduction activities, and guidance documents to monitor GHG emissions. There are also several comparisons of emission trading schemes and carbon tax policies, as well as models for reduction potential (e.g. cost curve analysis). However, there are few publicly available and readily accessible comparisons of strategies for reducing GHG emissions based on active or closed interventions outside of these two demand-reduction strategies. This report is not expected to fill this gap in literature, as the impacts of many of the grants will not yet be seen at the level of reducing GHG emissions.

Another gap in the literature was that of cost effectiveness of grant facilities or climate funds. This evaluation will aim to address cost effectiveness of the GPF, but it is unlikely that the team will be able to draw comparisons with other facility-type mechanisms, or with other models for reducing GHG emissions. So, this evaluation will document the costs of the Facility, as well as comment on the relative costs of other types of interventions if the data are available.

This evaluation will contribute to the body of existing literature in that it will be the first evaluation of an MCC grant-making facility, a model which MCC is considering expanding its use of this model in other countries. It will also complement the ODI study of climate finance in

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<sup>115</sup> International Climate Fund – Mid Term Evaluation: HMG Assessment, Department for International Development, UK AID, [http://iati.dfid.gov.uk/iati\\_documents/4773708.pdf](http://iati.dfid.gov.uk/iati_documents/4773708.pdf).

<sup>116</sup> Independent Evaluation of Climate Investment Funds, Volume 1: Draft Evaluation Report, June 2014, [https://www.climate-eval.org/sites/default/files/blogs/cif\\_evaluation\\_final.pdf](https://www.climate-eval.org/sites/default/files/blogs/cif_evaluation_final.pdf).

<sup>117</sup> Halimanjaya, A, Nakhooda, S. and Barnard, S, The effectiveness of Climate Finance: a review of the Indonesia Climate Change Trust Fund, 2014, <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8898.pdf>.

Indonesia, and its review of the ICCTF, as the GPF presents a different model for mobilizing climate finance, but was implemented within the same operational context as other funding mechanisms.

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### 8.2.2 POLICY RELEVANCE OF THIS EVALUATION

This process evaluation will serve two primary purposes, based on the results of the Evaluability Assessment. Namely, it will:

- Inform the design of future grant facilities (by MCC) and/or trust fund facilities (by the Indonesian government), based on GPF learnings; and
- Provide accountability surrounding changes and adaptations made throughout the course of the GPF to a variety of MCC, MCA, and partner organization stakeholders

MCC currently implements the grant facility model in ten Compacts, and is interested in better understanding the GPF results and process in order to help inform whether and how to implement this type of model within other MCC/MCA contexts. Similarly, the Indonesian government is considering whether and how to continue to work towards GP objectives following Compact closure, and aligned with their own country priorities and discussions with additional donors. Initial discussions have included conversations around the possibility of using a trust-fund model or something similar to continue this type of work.

As such, this evaluation is expected to complement existing data surrounding appropriate approaches and models to reduce greenhouse gas emissions in Indonesia, and provide key lessons learned for these two audiences.

## 8.3 GRANTEE SELECTION

**TABLE 21: SAMPLING JUSTIFICATION**

Sampling Frame	Sampling Criteria	Justification for Criteria
<b>Green Knowledge</b>		
7 grant implementers	All grantees were invited to participate in a KII.	The portfolio-level portion of the evaluation will pay particular attention to GK because it will not undergo its own portfolio evaluation.
<b>Off-grid Renewable Energy (Windows 1, 2, and 3A)</b>		
13 grant implementers	We invited all grantees based in selected locations for a KII and conducted one site visit to Karampuang Island, per MCA-I and PMC's recommendation.	RE grants span all three windows. The site/respondent selection reflects the diversity of grant types and will generate data that can illuminate differences across the windows.  Two of the remaining three grantees are being interviewed through a different evaluation.
<b>On-grid Renewable Energy (Window 3B)</b>		
10 grant implementers (for 11 grants)	SI invited grantees based in Jakarta for an interview.	Most grants in this window will not make it to completion, so respondents may not be willing to meet with the team.
<b>Cocoa (Windows 1 and 2)</b>		
4 grant implementers across Windows 1 and 2	SI interviewed two grantees from Window 1.	The sampling allows for the team to collect findings within Window 1.
<b>Peatland (Windows 1 and 2)</b>		
3 grant implementers across Windows 1 and 2	SI invited all grantees to participate in a KII.	The sampling frame is small enough to hold in-person or telephone KIIs with all grantees. This captures a range of grant sizes and durations.
<b>Social Forestry (Window 2)</b>		
11 grant implementers	SI invited grantees in selected locations for either a KII or FGD.	In-depth KIIs and site visits with a range of grant sizes in different provinces throughout Indonesia to gain a more holistic picture of the portfolio. The FGDs will cover 3 of the remaining grantees.
<b>Sustainable Agriculture (Window 2)</b>		
12 grant implementers	SI invited grantees in selected locations for either a KII or FGD.	In-depth KIIs and site visits with a range of grant sizes in different provinces throughout Indonesia to gain a more holistic picture of the portfolio. The FGDs will cover 1 of the remaining grantees
<b>Community-based Natural Resource Management (Window 2)</b>		
8 grant implementers	SI invited grantees in selected locations for either a KII or FGD.	In-depth KIIs and site visits with a range of grant sizes in different provinces throughout Indonesia to gain a more

Sampling Frame	Sampling Criteria	Justification for Criteria
		holistic picture of the portfolio. Two grantees will also participate in an FGD.
<b>Women's Empowerment</b>		
5 grant implementers	SI invited all five grantees to participate in a KII of FGD.	MCC does not plan to evaluate the women's empowerment portfolio through any other evaluation.
<b>Eco-Tourism</b>		
3 grant implementers	SI invited all five grantees to participate in a KII of FGD.	In-depth KIIs with grantees in various locations to observe differences by geography

## 8.4 STAKEHOLDER COMMENTS AND EVALUATOR RESPONSES

Reviewer Name/ Institution	Page Number	Comment	Evaluator Responses
Patel / MCC	1	<p>MCC's definition of a performance evaluation is the following (I think it's the USG definition, or at least USAID's too):</p> <p><b>Performance Evaluation</b> – A study that seeks to answer descriptive questions, such as: what were the objectives of a particular project or program; what the project or program has achieved; how it has been implemented; how it is perceived and valued; whether expected results are occurring and are sustainable; and other questions that are pertinent to program design, management, and operational decision making. MCC's performance evaluations also address questions of program impact and cost-effectiveness.</p> <p>To avoid inconsistencies with other reports, I've edited, but you can re-edit if needed. What I want to avoid is the idea that there are two evaluations. This is a PE that employs different approaches/methodologies.</p>	Edit accepted
Patel / MCC	3	Need superscript	Done, and will check for other examples throughout, plus professional copyedit pending
Patel / MCC	3	Seems strange to not mention the other grant windows here (esp GK), since they were referenced above	Addressed through edit above

Reviewer Name/ Institution	Page Number	Comment	Evaluator Responses
Patel / MCC	3	Can you enumerate the eligibility criteria?	We have listed the eligibility requirements in the revised version:  Legal registration in Indonesia, able to meet co-funding requirements, and a proven track record in implementing similar projects
Patel / MCC	3	Request for a statement like this, so that someone doesn't have to read Figure 1 to get this info.	Edit accepted
Patel / MCC	5	GK was not originally intended to be implemented through grants	Some key informants suggested that GK should have been implemented through a contract rather than grants, but the team did not come across documents that suggested this was the original intent. No changes made to the text.
Patel / MCC	6	I think this title needs to say (as of February 2018)	Revised as suggested
Patel / MCC	7	What does this mean?	Revised for clarity to read "grantees that had successfully completed their grant"

Reviewer Name/ Institution	Page Number	Comment	Evaluator Responses
Patel / MCC	7	Why is this a footnote?	Revised for clarity
Patel / MCC	9	Typo?	Corrected
Patel / MCC	9	<p>This section is hard to follow. I suggest sticking to the objective statements of GP and not also talking about broader outcomes (though I know those objectives encompass multiple outcomes). This section seems to go back and forth a bit, probably because you were trying to address my previous comment. What I'd like to be clear is that what you assessed is the alignment between the grants' stated objective and GP's stated objectives. My aim in asking this question was to unearth whether grants were actually designed to achieve the objectives, not just whether they claimed they would. I don't think the ERR or ESP requirements would ensure the linkage between actual project activities and the achievement of the objectives, particularly because the ERRs took what the grantees claimed for granted and didn't necessarily model all activities.</p> <p>I would prefer if this summary spent a bit less time talking about the validation of alignment (I recognize now that I shouldn't have used the word alignment in the EQ) and add a line about the fact that the evaluation was not able to do an independent review of whether the activities undertaken by each grant were likely to achieve the GP objectives, but.... Then you can conclude with the sentence you currently have at the end.</p>	Revised to include more text on the GP project logic, challenges this presents for alignment, issues found with grantee project logics, and to clarify the objectives of interest.



Reviewer Name/ Institution	Page Number	Comment	Evaluator Responses
<b>Farley / MCC</b>	10	Range of portfolios includes Sustainable Ag, Renewable Energy, Peatland and Social Forestry. WEE, cocoa and other sub-sets of projects will not be part of higher level portfolio reporting but ability to track and report out by portfolio, sub-portfolio, project level should be there. There is no ecotourism portfolio or set of projects.	Thank you for this comment. We note in the main body of the report in a footnote that the portfolios have been re-grouped to the four you mention. At the time of the evaluation, the portfolios listed in the executive summary were the ones used in the RFP, and the portfolios we used for analysis throughout the evaluation. We did disaggregate results by portfolio during our analysis and did not find significant differences across the portfolios.
<b>Ian Kosasih (PMC)</b>	11	5 years project period sufficient? Is it relevant to ask why 5 years project time frame was applied understanding the amount of money to be disbursed is very significant and the main way to disburse it is through providing grants?	The evaluation questions listed in the report were developed during the evaluability assessment and provided the foundation upon which the evaluation design was built. The question of the sufficiency of the time frame was not selected, as the Compact model is fixed at five years. That stated, we have made note of the limitation regarding the fixed period of performance throughout the body of the report and have expanded on this where possible.

Reviewer Name/ Institution	Page Number	Comment	Evaluator Responses
<b>Farley / MCC</b>	11,12	Implementation summary could/should be expanded to explain there were 5 in-take windows, each with slightly different objectives, focus and targets. Related to above comment in-take windows once closed evolved into portfolio of projects grouped/based on what was eventually funded. Think the document could also be more clear up from what is meant by "design of the facility". Once decision was made to go to grants only and in-take windows determined, the design was completed. If design means how to select, award and manage projects/grantees -- yes that was a work in progress up until close-out as there was no complete, detailed manual until very recently. When I think of design I think of objective, focus, type of intake windows; eligibility and leverage (or not) requirements those were more or less decided and fleshed out in the CfPs. Projects and sub-projects were grouped by portfolio not for management purposes but rather to align with GoI priorities and guide reporting and telling of the GP Story.	We have included a more detailed description of the Windows as suggested in Table 1. We think of design as the concept, goals, and structure of GP, including how it would be managed. Our data indicate that the portfolio grouping was a way to divide up the work after the grants had been awarded.
<b>Ian Kosasih (PMC)</b>	12	<i>The Operations Manual was not finalized until April 2014 and was a Conditions Precedent to release grant funding.</i> However, the first grant was awarded on March 2015 or one year after the Operation Manual was finalized and this was two years after the Compact entered into force. What were the issues that make the effective time for grant implementation was so short (between 8 months to 23 months)?	This is described further in the expanded "successes, challenges, and lessons learned" section of the executive summary
<b>Kathy/MCC</b>	13	I don't think it is correct to say that there was no point-based system to selection of grantees. ES does not seem to explain this very well. Unclear in the ES what is meant by GPF Model. The GPF was a vehicle/mechanism to deliver four different categories, types of grants: 1- partnership leverage grants with 50-50 match requirements across all/any portfolios (RE and NRM), 2 - 100 grants with no required match, smaller sized, 3 - viability gap funding commercial RE (similar in concept to 1), and 4 - community RE with symbolic 10% contribution from communities (closer to 2 than 1 or 3). The common them is competitively selected and against publicized call/criteria. Is that the "model"?	Yes, we have re-worded this- our intention was not to say that there was no point system- there was- but that we didn't find any guidance on what qualifies the point system. We have revised the text to read: "The basis on which points were graded for each criterion was not clear to the evaluators (i.e. what are characteristics of a 5 vs a 10 score)." We have added the following to the text to clarify how we are defining the model: "The team defines the GPF model as the mechanism(s) by

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			which grant funding was delivered. The team assessed effectiveness of the model through the lens of (1) disbursements and (2) grant approval and completion rates."
Kathy/MCC	14	Or is the model the Peraturan Menteri Keuangan (PMK) 124 policy that allowed asset transfer/funding to private sector? Something that is now in question. For me, the table on 13 which indicates the plan was \$100 million of commercial RE and only \$9 million will be achieved is glaring and not addressed in the ES. This is linked to what the model is/was. If it was to leverage private sector to do more RE, then it failed. Personally, I am not sure describing the facility as a "model" is accurate. Projects supported, maybe.	See response to comment above re: model. Regarding Window 3, we have added the following text: "Especially notable is the low acceptance rate among Window 3 grantees. When speaking with contractors that applied for grants but did not make it to completion, they point to three aspects: (1) the exceptionally long time it took MCA or the PMU to respond; (2) change in policy that moved from a two-step process to full grant to a three-step process; and, (3) the quality of technical review by the PMC. Items 1 and 2 were echoed by KIIs that are considered successful."
Kathy/MCC	14	What assets will be handed to the government? Is this the knowledge products?	We have revised the sentence to read "According to another trust fund manager, the integration with MCA-I and BAPPENAS (the Indonesian Ministry of National Development Planning) lacks robustness to entertain any notions of sustainability, even though assets (such as equipment, tools, etc.) will be handed to the government."

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<b>Arief Sugito (MCA Indonesia M&amp;E)</b>	p.14	Paragraph 4, it is stated that .....MCA-I was also a significant force in the development of the National Peatland Restoration Agency. This should be revisited as MCA-Indonesia to my recollection is supporting the new established National Peatland Restoration Agency (Badan Restorasi Gambut -BRG) and not initiating the development of this organization.	Thank you for this comment - we have removed this statement from the executive summary and refined it in the body of text.
<b>Ian Kosasih (PMC)</b>	15	<i>Success and Challenge.</i> Regardless of many challenges faced during the implementation, PMC would suggest that putting Environmental Safeguards and Social Gender inclusiveness (at Call for EoI and Proposal and Implementation Phases) as one of the mandatory requirements of the grant recipients as one of the successes (it is improving awareness of the important of these aspects to the NRM and RE players). Therefore, PMC would suggest that this requirement will remain as mandatory requirement in the design of future facilities.	Thanks for this comment. The data indicate that the ES and SGI requirements were considered to be valuable activities (which we note in the report under EQ2), but also challenging for grantees and associated with implementation delays. Many of the grantees had not been implementing long enough at the time of data collection to determine whether ES and SGI plans had been integrated into implementation, and this was beyond the scope of this evaluation. As such, we do not have enough data to support inclusion of this suggested recommendation in the report.
<b>Lastyo Lukito (MCA-Indonesia ESP Unit)</b>	15	paragraph 2 sentence one may be misunderstood: "... including reduction in GHG and environmental benefit" = reduction in environmental benefit?	We have revised the sentence to read "A key component of the grantees' applications was to demonstrate alignment with GP objectives, including reduction in greenhouse gases (GHG) and increased environmental benefits."

Reviewer Name/ Institution	Page Number	Comment	Evaluator Responses
<b>Patel / MCC</b>	18	The 2010 ADB Indonesia CA identifies infrastructure, governance, and education as constraints to growth ( <a href="https://www.adb.org/sites/default/files/publication/27497/indonesia-critical-development-constraints.pdf">https://www.adb.org/sites/default/files/publication/27497/indonesia-critical-development-constraints.pdf</a> ). The GPF report states that each of the compact projects relates to a constraint, which isn't quite the case. Only the procurement project explicitly addresses the governance constraint and GP is partially addressing the infrastructure constraint. I don't see reference to a modern land record system or environmental concerns in development planning as explicit constraints. It's possible the report mentions those as factors to consider, but I don't think it's accurate to say that because the project deal with those, they are addressing the binding constraints to growth.	We have revised the text to read: "The constraints analysis cited the need to strengthen procurement processes, establish a modern land record system, and mainstream environmental concerns in national- and regional-level development planning."
<b>Feldsa / MCC</b>	18	It would have been useful to have a section in the introduction to describe the existing and evolving institutional landscape encountered by MCC as the project was designed and implemented. At the outset, BAPPENAS as counterpart was in a rather uncomfortable position as partner of UNDP in the setup of the REDD+ and use of Norway funds viz the then Presidential Delivery Unit that first hosted the REDD+ Unit which was ultimately disbanded. If there is anything that colored the preparation of GPF on GOI it was this multiplicity of actors which resulted in no particular agency of taking up full ownership of how GP could be institutionalized. It would appear that BAPPENAS saw in GP as the REDD+ alternative.	Thanks for this comment. Unfortunately, we do not have enough data (literature or KIIs) that described the BAPPENAS perception of GP as compared to REDD+ and the evolving institutional landscape/multiplicity of actors.
		While REDD+ seems to be in a transition since 2017, there has been little to show for <a href="http://www.redd-monitor.org/2017/12/28/after-seven-years-norways-us1-billion-redd-deal-in-indonesia-is-still-not-stopping-deforestation/">http://www.redd-monitor.org/2017/12/28/after-seven-years-norways-us1-billion-redd-deal-in-indonesia-is-still-not-stopping-deforestation/</a>	Thanks for providing this article. We found some contradictory evidence in this regard, and it seems that REDD+ activities are still ongoing under the MOEF: <a href="https://forestsnews.cifor.org/52186/indonesia-not-ready-to-bury-redd?fnl=en">https://forestsnews.cifor.org/52186/indonesia-not-ready-to-bury-redd?fnl=en</a>
		Unlike REDD+, GP actually delivered and did it at the level of districts which are key to development in Indonesia and were mostly ignored by REDD+ in favor of provincial governments.	

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		Leap forward 5 years and Indonesia has now designated national agency for the Green Climate Fund under the Fiscal Policy Agency of the Ministry of Finance (Mr. Parjiono)	
Kathy/MCC	18	GP objective described differently than the compact and excludes the "and" of GHG emission reductions	The objective matches the description on page 11 of the investment memorandum. We have also added the two objectives described in the Operations Manual: "The GP Operations Manual further describes the objectives of GP to be (i) to increase productivity and reduce reliance on fossil fuels by expanding renewable energy and (ii) to increase productivity and reduce land-based GHG emissions by improving land use practices and management of natural resources."
Kathy/MCC	20	Descriptions for windows not accurate: Partnerships Grants include an \$8 million RE project and W2 has about \$10 million in RE. Only \$2 million in TAPP was funded out of GPF with the other \$9.5 coming out of Activity 3 (TA)	We have revised the text in section 2.3 accordingly
Kathy/MCC	20	Description of ERR process is incorrect. For W1 and W3 MCA-I did its own ERR calculation using input provided in the proposals adjusted for reasonableness - both assumptions and costs. MCC provided technical support for W1 on ground truthing some of the assumptions. MCA-I had its own models.	We have revised the text to read: "MCA-I completed ERR calculations for Windows 1 and 3 using the proposal inputs, adjusting for reasonableness, with some support from MCC in ground-truthing assumptions. Grantees in W2 worked together with consultants from the GPM to calculate their ERRs, with additional support from MCA-I. The same emphasis on the grant level was expected for beneficiary analysis, with GPF as a whole emphasizing the definition of potential grantee organizations."
Kathy/MCC	20	I thought district readiness was related to spatial planning only.	We have revised the text to read: "As such, GPF conducted a thorough assessment of district readiness in four "starter" districts to inform spatial planning."

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Kathy/MCC	21	If one of the objectives is to inform future MCC facilities, section 2.5 - implementation summary is inadequate and does not do justice in describing the process from EOI to award and the lessons learned along the way.	We have reserved these detailed descriptions for the responses to the evaluation questions - further information on implementation changes, challenges, and lessons learned can be found in the subsequent sections.
Patel / MCC	22	The second paragraph needs to better distinguish MCC vs. MCA-I resources. Perhaps just moving the PDU sentence before the TetraTech sentence would fix that. In terms of chronology, TOPE was hired well after the GPMs. TOPE, TT, and PDU were started in 2017.	Thanks for this comment. We have restructured the paragraph in section 2.5 to make the chronology and MCC vs. MCA-I resourcing clearer.
Ian Kosasih (PMC)	22	.....MCA-I brought on a Project Management Consultant (PMC),' <b>CDM Smith</b> ', in September 2014, to provide program management support for Facility operations and grant administration services for Windows 1 and 3, as well as GK..... It should be ' <b>a consortium of CDM Smith and Hatfield Consultant Partnership</b> '	We have revised the text accordingly
Feldsa / MCC	23	not sure why SI is even opining on the issue of GHG as it was not in their technical purview. At the very least, a cross reference with the work of ICF would be warranted.	<p>We included this to demonstrate that there are a range of methods for measuring GHG emissions, but few studies that compare strategies for GHG emission reduction, which is pertinent to the design of the GP model.</p> <p>We have removed much of the text from the body of the report in section 3.1 so that this point is clearer and have included a cross reference to ICF's work - thanks for this suggestion.</p>



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<b>Arief Sugito (MCA Indonesia M&amp;E)</b>	Literature review (p. 23)	It would be beneficial to also highlight the theoretical framework of "facility development" by using example of project in Indonesia as it has been implemented by other donors such as the World Bank and AusAID/DFAT. They have facilities established such as former PNPM Support Facility (PSF) and Poverty Reduction Support Facility. This is to understand why facility are established, what kind of genesis underpinning the establishment of facility, and what results have been achieved. Based on these facility practices, it is usually established to find out new approaches to improve the existing failure of current practices, work in the uncertain/ not well-established condition, and formulating innovative/ breakthrough methodology/ initiatives. This has not been clearly explained in the literature review as well as in the analysis whether MCA Indonesia windows are in line with the philosophy of development facility.	We searched for literature related to facility design for other facilities and were unable to identify detailed assessments of facility design processes. We have included clarification of this in the report in section 3.2 and 4.7.
<b>Feldsa MCC</b> /	24	a logical comparator, eventually, would be the GCF <a href="https://www.greenclimate.fund/home">https://www.greenclimate.fund/home</a>	Thanks for this suggestion. As GCF is a multi-country fund, we do not feel it serves as an adequate comparison currently.
<b>Feldsa MCC</b> /	25	what??? sentence makes no sense. why would understanding GK's "contributions" be necessary for any such thing?	We have revised the text for greater clarity to read: "This evaluation aims to describe GK's contributions to GPF and any links to the Facility's design, implementation fidelity, and results. In answering this question, we will look at the extent to which GK captured successes and lessons learned from the GPF and other investments and whether they used lessons learned from GP to guide their work."

Reviewer Name/ Institution	Page Number	Comment	Evaluator Responses
Kathy/MCC	24,29,30	Major fatal flaw in the literature review on grant facilities and a huge lost opportunity that we should require be addressed. The comparison of GPF to climate funds is not an appropriate comparison for learning given how the GP project and the GPF was implemented. The comparison should be with grants facilities in general and challenge and innovation funds that are aimed at targeting the private sector and leveraging private sector investment. There is huge literature out there. I know because I have been reviewing some of it. Cost effectiveness could have been analyzed comparing cost to deliver projects/grants, results with other grants facilities both within and outside MCC. That was not done.	Thanks for this suggestion. We have completed another scan of the literature based on the parameters you put forward and did not find comparison data for costs of other facilities. Without comparable cost data, we cannot complete a comparison of cost-effectiveness. We recommend that MCC use the cost data presented in this report as a point of comparison for other MCC facilities internally (as costs of other MCC facilities were not provided to the evaluation team).
Patel / MCC	42	Footnote 36 incorrectly attributes Figure 3 to the 2017 M&E Plan. I don't recognize the figure (unless you produced it based on info in the M&E Plan?).	Thanks for catching this. The correct reference is the Investment Memorandum, and we have edited the footnote accordingly.
Ian Kosasih (PMC)	44	Throughout 2014, MCA-I began conceptualizing the window approach, with the window structure fully in place <b>by mid-2016</b> . Is this correct? PMC was on board in September 2014, we think the Window Structure has already in place back then or <b>at least in mid-2015</b> .	We have revised the text to read: "Throughout 2014, MCA-I began conceptualizing the window approach, with grants awarded through all windows by mid-2016."
Patel / MCC	45	I suggest adding a footnote to the first sentence under "grant portfolios" to clarify that in early 2018 the GP Project (MCA-I) has decided to organize all grants under just four portfolios: Sustainable Agriculture (incl. cocoa), Peatland, Renewable Energy, and Social Forestry/NRM. The WEE grants should fall into these portfolios but have an extra emphasis on women's empowerment. The "other/ecotourism category" likely falls under SF/NRM.	Thanks for this suggestion, we have added the footnote.

Reviewer Name/ Institution	Page Number	Comment	Evaluator Responses
Kathy/MCC	45	Table 7 - W2, W3a and W3b should clearly state co-funding requirements (or not); As mentioned above decision to discuss/report/frame GP projects into portfolios is a separate issue from rationale, decision to do W2 - anything/everything at the local level. Portfolio groupings started with W2 to try to understand the trends in the projects funded and then when it was clear the same trends followed W1 and that the 4-5 portfolios cut across all windows that the shift was made to talk portfolios. However, all including MCC and MCA Management struggled to make this shift. Restructuring MCA team by portfolio was challenging because it conflicted with the current staffing patterns. Narrative around portfolios - what and why to be corrected and consistently discussed.	Thank you. We have added additional context to the text, which now appears in Table 11.
Patel / MCC	45	Just noting that this is where the discussion moves from referencing 5 windows to only discussing 3, without explaining why. My suggested edit above should fix this.	Revised above as suggested
Patel / MCC	46	I don't see the footnote noted in the response to my comment (row 34 in comments matrix)	Added back in
Patel / MCC	47	The first paragraph incorrectly states that MCA-I brought TetraTech on board to support oversight for W3. TT was hired by MCC and they are supporting RE work across windows.	Thanks, we have revised accordingly: "MCC also hired TetraTech to support project implementation and oversight for RE work across all windows."
Patel / MCC	47	The second paragraph's mention of the introduction of the PDU in the last sentence should clarify that the PDU came in to fill the need only on RE. The PDU does not manage non-RE projects.	Thanks for this suggestion, we have clarified the text to read: "Most recently, the Project Delivery Unit (PDU) was established in July 2017 to manage a subset of the renewable energy grants, prompting a reorganization of GP portfolio management."

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<b>Ian Kosasih (PMC)</b>	47	Furthermore, MCA-I had not anticipated the level of technical assistance that grantees would require when developing the statement of work (SOW) for the PMC. <b>As such, the PMC is focused on compliance with IFC standards but did not provide technical guidance for the RE grants.</b> MCA-I, likewise, did not provide this technical guidance to the grantees, and there was disagreement among PMC, MCC, and MCA-I over who was responsible for providing this guidance. The PDU came in to fill this need toward the end of the Compact period, and TOPE is focusing on the engineering aspects. <b>It was included in PMC scope of work to provide technical input of the grantees deliverable on Renewable Energy Window</b> (e.g., reviewing Feasibility Study, Engineering Design and their Construction Plan)	We have added the point on compliance with IFC standards, but the second addition seems to contradict the rest of the paragraph, as our understanding was that PMC's SOW did not include provision for technical input on Engineering Design, Construction Plan, etc.
<b>Patel / MCC</b>	48	It may be worth mentioning that the major reason that PLUP started so late (Jul 2015) was procurement delays. I assume the PLUP team noted this in their KIIs, but I believe there was a failed procurement, which set back the implementation timeline significantly. I think it's helpful to know this for context.	Thanks for this comment. We have added this context to the paragraph. We did not find documentation related to a failed procurement, just to substantial procurement delays. However, please do share documents related to a failed procurement if they are available, and we can update the text accordingly.
<b>Feldsa / MCC</b>	48	actually, LLA was pioneered by MCC ESP and GSI with MCA ESP as a result of the failure of MCA and GPF to properly coordinate with PLUP on roll out. That said, in given locations the data from LLA fed PLUP and vice versa, depending on who was first in the field	Thanks for these comments, we have revised the text to read: ". As designed, the GP grants would have been implemented in districts selected through district readiness assessments. The calls for proposals, though, were open to projects beyond these readiness assessments, which necessitated endorsement of districts that may not have been selected otherwise. In response to this shift, MCA-I pioneered the Landscape-
<b>Feldsa / MCC</b>	48	this shift was prompted by MCC management after "lost years" and gave rise to calls for proposals that were also delinked from a district-level scrutiny that could be afforded by the multi-stakeholder forums established during DD and first year.	

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<b>Feldsa MCC</b> /	48	the original intent as stipulated in the compact was for 12 provinces with districts selected by means of a district readiness assessment (DRA). The DRA results were turned on their head by a call for proposals beyond those provinces which necessitated DRAs to endorse districts that otherwise would not have been selected (for good reason)	Lifescape approach, which each grantee undertook at the outset of their project. The Landscape-Lifescape analysis is derived from the Environmental and Social Management System (ESMS) and the Social and Gender Integration Plan (SGIP), giving grantees and other stakeholders information about the existing natural resources, people, institutions, and relationships within a given landscape."
<b>Ian Kosasih (PMC)</b>	48	Furthermore, the GP target districts were expanded beyond the four starter districts in two to four provinces to eventually include 59 districts across <b>18 provinces</b> . This expansion allowed MCA-I to release funding more broadly but did not align with the intended logical flow of district selection from spatial certainty. In other place (e.g., one paragraph above this paragraph), it is stated <b>19 provinces</b> . Which one is correct?	The CfPs noted that projects in 21 provinces were eligible, but the final grants were awarded only in 18 provinces. This figure is inclusive of GK. We have amended the text for greater clarity.
<b>Ian Kosasih (PMC)</b>	49-50	Contribution of PLUP to GPF. PMC agree with the findings that PLUP did not contribute much to GPF. However, is it relevant to fully describe the benefits received by community, district government and provincial government related to Village Boundary Setting and enhancement of Spatial Planning capacity, and how PLUP is contributing to the implementation of One Map National Policy?	Thank you for this comment; however, PLUP's contribution outside of GP was not within the scope of this evaluation. Further information regarding PLUP's benefits can be found in the PLUP-specific evaluation.
<b>Andreas (GK)</b>	51, first paragraph	"and the evaluation team did not find any concrete evidence of any GP stakeholders applying learning from GK activities." - This statement has no clause and has wrong perspective of GK function under GPF. GK is meant to facilitate the GP Stakeholders, not as learning producer or not as GP stakeholders source of knowledge/learning. Evaluation team cannot judge with no fundamental tools to find the evidence of GP stakeholders learning. However, the conclusion is accepted.	We have revised this sentence for greater clarity to read: "Green Knowledge, as discussed in response to Question 1, offered little by way of capacity building to grantees, and the evaluators struggled to find evidence of any actors in the GPF applying learning from Green Knowledge activities."

Reviewer Name/ Institution	Page Number	Comment	Evaluator Responses
<b>Patel / MCC</b>	53, 60	To answer sub-question 3 under EQ2, I was expecting the evaluation team to review the project descriptions for a sample of grants and assess the likelihood of achievement of the GP objectives (from the perspective of whether the theory of change leading from the grant activities to productivity increases and GHG emissions reduction was clear and credible). This exercise would be similar to the exercise undertaken for reviewing the CBAs. My reading of this section is that because the CfPs were clear about requirements, the Eval Team concludes that the signed grants were aligned with the GP Objectives. However, based on the work of the GHG consultants and general lack of information about the specific activities undertaken by grantees (especially in W2), there are questions about how well anyone understands what the grants are doing and whether what they're doing is likely to achieve the dual objectives of productivity increase and emissions reduction. I would ideally like this section to be expanded, if nothing else to acknowledge that the answer to this question is not based on a review of project designs (if you weren't able to do that).	Thanks, we have added further clarification on both the type of analysis undertaken as well as its limitations. We've also expanded this section to include further detail regarding the findings from our analysis on alignment at both an activity and GP-wide level.
<b>Rini Widiastuti (MCAI M&amp;E)</b>	54 table 9	low % completed projects against accepted proposal in window 3a and 3b: will be very useful to provide analysis of this data. Is it because the limited period of implementation for grants of these nature or because the lack of understanding of the grant target audience (page 82 last paragraph).	We have added some further information on potential reasons for this low %, based on the data we collected, and in response to Table 12 and Table 13
<b>Kathy/MCC</b>	56, 57	I don't understand what we are supposed to learn from Figures 7 and 8	We have clarified these figures (now 9 and 10) in the text.
<b>Kathy/MCC</b>	54	It would be interesting to know how the rates 9/23% compare with other similar facilities in the market. This kind of analysis is missing and very weak. Fatal flaw in my view. Also, numbers are distorted and wrong for W3a and 3b as they had no EOIs - but only CfPs.	We agree that it would be interesting to know how the rates compare with other facilities. We have conducted additional research to determine (1) whether comparable facilities exist, even outside of the GHG reduction space and (2) whether information such as application acceptance rates and facility costs are publicly available. Unfortunately, this kind of information

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			is not publicly available, so we cannot draw comparison-based conclusions. We have corrected the error related to EOIs for W3 and adjusted Table 13 accordingly
<b>Patel / MCC</b>	55	Add date to title	Added as suggested
<b>Lastyo Lukito (MCA-Indonesia ESP Unit)</b>	56	IFC Guidelines or IFC PS Guidelines?	Thanks - corrected
<b>Lastyo Lukito (MCA-Indonesia ESP Unit)</b>	57	The use of the ESP as abbreviation of Environmental and Social Protection can be confused with the official terms used in all MCC Compacts i.e. Environmental and Social Performance. Did SI meant to use the word "Protection", or did they misunderstand it?	We meant performance - thanks for pointing this out
<b>Lastyo Lukito (MCA-Indonesia ESP Unit)</b>	58	There is a lot of claims made in this paragraph about ESP that is more subjective then objective. Did SI ever crosscheck with the ESP Unit or ESP Director?	Respectfully, we have reviewed this section and find that it is solidly based on empirical data. It is subjective to the extent that all qualitative data is subjective for the respondent. We believe we have appropriately mentioned from where the data were sourced to give the reader some sense of perspective. For anonymity purposes, we generally don't specify which manager we talked to, only that we talked to a senior manager. We have made exception to this in some cases where that specificity is required, but don't believe that it is here.



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<b>Feldsa MCC</b> /	59	this would have been possible if the landscape orientation were preserved in the call for proposals (as opposed to sector bent)	Agreed
<b>Lastyo Lukito (MCA-Indonesia ESP Unit)</b>	59	It seems SI has minimum understanding of how LLA came about, and how MCC and MCA-Indonesia put efforts in introducing LLA to bridge the gap left by the failure of GP to establish a landscape-based facility. But, overall, the fact that LLA was found to be beneficial is true to the history of why and LLA was needed in the first place, to ensure GP as "Green" and "Prosperity".	We have added additional text on the rationale behind LLA's emergence in a previous section (in response to Q1). As this section is about grantee reflection on the LLA as beneficial or detrimental to the GP, it is therefore not appropriate to reiterate that here. .
<b>Patel / MCC</b>	60	Question on this statement, asking for further context/clarity. There was a particular case with Musim Mas where the construction was already completed so the ESP guidelines could not be applied in the same way, but MCC ESP's perspective is that no grant was exempt.	The respondent wasn't referring to a particular case when making this statement. We have included another perspective though to present more balanced findings, rather than just the perspective of one respondent.
<b>Patel / MCC</b>	60	This is not reflected in Figure 10. It looks like the SGIP row is missing data that was there before	Corrected chart included
<b>Patel / MCC</b>	62	On the process section of the answer to the first question under EQ3: I think the question was trying to get at processes more broadly than the process indicators in the M&E Plan. The M&E Plan indicators are developed for a management audience, so they don't go into great detail about the GPF processes that led to the ultimate facility outputs of signed grants and committed funds. As such, I think it would be helpful to add some statistics here about the funnel that the GPF processed, e.g. EoIs, CfPs, proposals, shortlist, etc. Maybe just refer back to Table 9.	We have described the process more fully in the text surrounding Figure 11, and also added some analysis based on Table 13 (formerly Table 9)
<b>Kathy/MCC</b>	62	Table 10 should be updated	We requested updated data on April 9, 2018, and haven't yet received the final set of data

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<b>Patel / MCC</b>	63	The GHG emissions discussion seems like it would fit better under EQ2 since GHG reductions were one of the objectives of GP.	Thanks for this suggestion, we have moved the discussion to EQ2.
<b>Kathy/MCC</b>	63	Sustainability is linked to Bappenas and nothing else -- missing the whole point of W1 and W3b and the SPV approach in W3a. Very weak and limited analysis.	Please note that the objective of this review was to assess the facility itself. We therefore had assessed the extent to which the facility was sustainable, the handover strategy is the key element to this. A sustainability analysis of the projects is outside the scope of this study and we have made mention of such as it is easy for a reader (and us) to slip into effects of the facility projects rather than the facility itself. We have added some text that also mentions that it was too early to get a clear indication of that during our fieldwork.
<b>Patel / MCC</b>	63	<p>Please reference again the GP objectives at the start of this section:</p> <p>(i) to increase productivity and reduce reliance on fossil fuels by expanding renewable energy and (ii) to increase productivity and reduce land-based GHG emissions by improving land use practices and management of natural resources.<sup>1</sup></p> <p>The exec summary seems to better capture the conclusion than this section</p> <p>Define what you mean by alignment</p>	Objectives and definitions added here.
<b>Kathy/MCC</b>	64	The statement that there was no point system for selecting grants is not correct for W1 and W3 as far as I understand. Not sure for W2.	Yes, we have re-worded this- our intention was not to say that there was no point system- there was- but that we didn't find any guidance on what qualifies the point system.

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<b>Kathy/MCC</b>	64	In general, the discussion on this page focuses only on the selection criteria and not the challenges of meeting IFC Performance standards and impact on timeline which should be part of the discussion of are the projects better. Maybe not at time of selection but as a result of our rigor maybe yes?	We cover these challenges in response to question 5 and added the following text in response to question 3: "This was particularly true of meeting the IFC performance standards. Though grantees often needed to go through several revisions and lengthy approval processes in preparation of the documents for the performance standards, which exacerbated the existing challenges around implementation timelines, grantees reported that were also better prepared to engage a range of national stakeholders, from the private sector to local governments."
<b>Patel / MCC</b>	64	I think this should be a separate paragraph	Done
<b>Patel / MCC</b>	64	ICF found that some grants had no activities that related to GHG reductions	Confirmed and we have added this finding
<b>Patel / MCC</b>	64	I'm not aware of them having conducted an in-depth look at the project logics, particularly since PLs didn't exist for most grants. Is this based on the interview with ICF? My understanding is that they looked at the project activities and modeled those that could be linked to GHG reductions. But that doesn't address the second objective of raising incomes.	Edited text for clarity
<b>Patel / MCC</b>	64	I don't understand this footnote. What was referenced in the 3A CfP?	The footnote appears to be referencing ICF's work

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<b>Patel / MCC</b>	64	How does this fit into the stated GP objectives? And what about GHGs?	We assessed alignment with the highest level outcomes as stated in the logical framework, which are intended to contribute to the impact-level results. In a five-year program, we recognize that impact-level results are unlikely to be seen, and chose to focus instead on the highest level outcomes.
<b>Rini Widiastuti (MCAI M&amp;E)</b>	65 (major policy achievements)	Achievements of GPF can be translated into different terms i.e. (i) by comparing total costs of GPF against total value of completed grants (regardless whether the results delivered by these completed grants are meeting their target or not), and (ii) by looking at the key results delivered by GPF with respect to processes, policy and sustainability. In the context of Indonesia, one senior government official stated that expected results of GPF should be able to influence policy or at least provide alternative models to solve specific problems. The expectation resembles finding in Jonathan Glennie paper (Role of aid to MIC countries: a contribution to evolving EU development policy), where development cooperation is expected to play a role to support attempts to respond to the specific problems and priorities of MICs, not as a large source of development finance but as a strategic catalyst for change and consolidation of progress. The SI report identify that actually GPF managed to deliver at least one 'major policy achievement' in RE (p 65), but analysis about what aspect of GPF were particularly beneficial or detrimental to deliver this particular results are very limited. Discussion about detrimental/beneficial aspects are available but it is more on the function of GPF to deliver/disburse funds. Aspects that enables GPF to deliver major policy achievement will be one of the most awaited by the government of Indonesia.	Thanks for this. A new section was added in the benefits and detriments section (question 2) that gets at this point as best we can from our interview data.

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Kathy/MCC	65,66	Again, weak research/analysis. BRG was not established because of MCA-I and there is no mention of the policies we helped to facilitate (related to permitting and equipment).	This section has been deleted.
Kathy/MCC	65,66	I also believe there was some local policy changes related to PLUP and formally accepting VBS methodology.	Unfortunately, no informants shared this information and we therefore are unable to draw conclusions relating to VBS acceptance. Further detail surrounding PLUP-specific changes may be present in the PLUP evaluation.
Kathy/MCC	65,66	Failure to understand the RE policy environment - delays in PPAs, etc. could be better documented, described.	We have added some additional text about the RE policy environment, as suggested
Patel / MCC	65	What is this conclusion based on? I think that bigger logic was developed before most of the grants were signed.	Our understanding from the evaluability assessment is that the project logic was revised in 2016, and most calls for proposals (all except W3B2) were released before the end of 2015.
Patel / MCC	65	How come the final statement of this section in the ES is not included here? The one where you stated that the TOCs sometimes had gaps in the causal chain?	Included above
Patel / MCC	66	I suggest moving footnote 58 to the main body. It's important for the reader to understand that MCA-I's contribution to the formation of BRG is only an MCA-I perspective. I think the Indonesian acronym for this agency is BRG.	Thanks for this suggestion, we have moved the footnote to the main body.
Feldsa / MCC	66	BRG not PRG	Thanks for catching that- corrected.
Ian Kosasih (PMC)	66	National Peatland Restoration Agency (PRG). It should be BRG (Badan Restorasi Gambut).	Thanks for catching that- corrected.
Lastyo Lukito (MCA-Indonesia ESP Unit)	66	National Peatland Restoration Agency = "PRG" or "BRG"?	Thanks for catching that- corrected.

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<b>Lastyo Lukito (MCA-Indonesia ESP Unit)</b>	66	There is more to this story on Environmental Approvals for Restoration Activities found in this section. One, stakeholders still see the gap between regulation and professional/academic arguments to using simplified regulation on peatland restoration, and, two, SI failed to raise the integration of the IFC PS in this process, in which ESMS and ESMP was integrated into the Rancangan Teknis (Rantek).	Thank you, we have revised included a new section titled "Environmental Approvals for Restoration Activities" that addresses this.
<b>Feldsa / MCC</b>	67	what grant is this? Cocoa investments would continue and be expanded by the private sector. Peatland is being tackled by a host of other donors, as well as the peatland restoration agency <a href="https://brg.go.id/">https://brg.go.id/</a>	Unfortunately, we cannot speak to the specific grant or respondent here due to our policy of anonymity/confidentiality as part of the informed consent process. We suggest that even though private sector or government funds may be available, it is conceivable that a grantee may also explore other options.
<b>Kathy/MCC</b>	67	Figure 10 and conclusions hard to follow. If 93% think they will continue one way or the other that is pretty significant or am I missing something?	Noted. We switched the axes of the chart for greater clarity.
<b>Patel / MCC</b>	68	Please put the date in the title	Added as suggested
<b>Patel / MCC</b>	68	Did any respondents besides MCA-I note their role in establishing the peatland agency (e.g. the peatland grantees)? If not, how have you validated that conclusion? Is it just based on the MCA perspective?	We have conducted interviews with the National Peatland Restoration Agency and have removed this finding from the report based on the information gathered.

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<b>Ian Kosasih (PMC)</b>	68	Policy results at both national and local levels are evidenced in renewable energy, natural resource, and agricultural portfolios alike. The Facility made some significant achievements in terms of policy, changes that create an enabling environment for GPF activities. Although these changes were considerable, especially allowing cost-sharing with the private sector for renewable energy, some respondents still felt that more could have been, and needs to be, done to address key issues such as energy tariffs. Despite agreement to this finding, in PMC's observation GPF has not been "mandated" (i.e. has no specific design, plan, target and strategy) to implement Policy Advocacy. Results on policy changes could had been much more significant if policy advocacy is formally included as "mandate" of GPF (including better plan and execution of GK grants).	Thank you. A sentence was added to this effect. "The lack of an explicit strategic plan and targets surrounding expected policy changes may have hindered GP's ability to achieve further progress in this realm."
<b>Patel / MCC</b>	70	Why no inclusion of ICF's work here?	Included here
<b>Feldsa / MCC</b>	70	but in the face of it, SI does a flawed comparison with ICED II without fully understanding the key differences between the 2 projects.	To be consistent with our position that comparisons are not possible, we have removed this sentence.
<b>Feldsa / MCC</b>	70	this entire section needs careful re-write	We have edited the paragraph for clarity.
<b>Patel / MCC</b>	71	Tetrattech should be counted in the MCC contractor pool. They were not hired by MCA-I. This should be corrected in footnote 62 and the breakdown of Table 11.	Thanks, we have corrected this in Table 16 and include them in "GPF subcontractor costs", which does not differentiate between MCC and MCA-I hired subcontractors.
<b>Rini Widiastuti (MCAI M&amp;E)</b>	51 (implementation fidelity)	Conclusion about implementation fidelity should be used as background to do analysis of costs effectiveness. Changes from the original design triggered significant operational evolutions or changes which translated into higher costs for PMC and GPM.	Thanks, we have included this additional contextual information immediately following Table 16.



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<b>Feldsa MCC</b> /	71	Is GK included? The only GK cost that should be included here for comparison with ICED are those related to energy.	To be consistent with our position that comparisons are not possible, we have removed this sentence.
<b>Feldsa MCC</b> /	71	in order to compare apples to apples, PLUP costs should be removed from the equation as ICED did not do this. Also, ICED does not provide CapEX, so the only costs that are fair for comparison are TAPP and feasibility. ICED supports a wide variety to stakeholders in the commercial development of renewable energy and energy efficiency projects. It provides energy planning and policy reform support to selected national and local governments to help them overcome barriers to greater clean energy development and use. ICED advises renewable energy project developers and energy efficiency hosts in assessing the feasibility of clean energy technology applications. ICED also offers local banks and financial institutions assistance in evaluating project financing proposals.	To be consistent with our position that comparisons are not possible, we have removed this sentence.
<b>Feldsa MCC</b> /	71	please re-do this calculation for only energy related investments rather than the entire facility (remove CBNRM, cocoa, and peatland)	We have removed the comparison, so this re-calculation is not needed
<b>Feldsa MCC</b> /	71	sure enough, but the geographic extent of PLUP goes well beyond the footprint of the project. The nature of PLUP does not allow for it to be done on the basis of individual projects and need to be undertaken at the kecamatan level for VBS/RM and kabupaten for the institutional planning, software and hardware elements. I find it disconcerting that SI still doesn't get this point.	We agree that this is important, and we do indeed understand this point. We have emphasized this aspect in response to other comments elsewhere in the report. This comment refers to a footnote explaining how we consider the costs of the PLUP in relation to the GPF; however, we have presented with/without PLUP costs to increase utility as MCC makes decisions about facilities moving forward.

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<b>Kathy/MCC</b>	71	ICF and Tetrattech should not be included in footnote 62/subcontractor costs. Also, don't think it is appropriate to include the \$10million in MCC costs and attribute it to the costs of making those grants. The \$14 million for terminated grant agreements is misleading as it includes \$9 million for TAPP which should be lumped with the other TAPP grants. And finally, if you don't count GK you should not count PLUP. For sub-contractor costs I estimated \$38 million and for MCA-I staff John gave me a \$6.125 million estimate.	We have separated out the terminated grant and TAPP costs, as suggested. We do, however, maintain that it is appropriate to include ICF and TetraTech and the MCC costs, as had GP not have been there, these costs wouldn't have been incurred. Additionally, we have kept PLUP as a cost but separated out to easily see the cost with and without PLUP. We consider PLUP to be a cost as it was considered an input to the design of the Facility in the logical framework and original design documents. However, we understand that future facilities may not have an activity similar to PLUP and have broken out the cost so that it can be seen with/without.
<b>Rini Widiastuti (MCAI M&amp;E)</b>	71 (assumption for cost component)	Assumption used to calculate "cost component" perhaps need to be revisited if the number will be converted to ratio of every dollar spent against total project value generated - particularly PLUP and TAPP. Results delivered by PLUP (permit clearance to ease investments) and TAPP (Feasibility Study and Engineering Design) - in other facility scheme these components may be included in the grant itself. Therefore, it is suggested that during presentation on 22nd the evaluators highlighted this particular assumption to be validated by the audience.	See above, and we highlighted our assumptions during the presentation in Jakarta and can do the same in DC.
<b>Rini Widiastuti (MCAI M&amp;E)</b>	78 (cost effectiveness)	analysis of cost effectiveness perhaps should be presented based on the window - since the nature of implementation, operational costs required varies significantly between window 3 and window 2.	Unfortunately, costs were not disaggregated by Window, so such comparison is not possible.

Reviewer Name/ Institution	Page Number	Comment	Evaluator Responses
<b>Kathy/MCC</b>	78,79	I think the conclusions on cost effectiveness (ratios) are wrong and without context are unfair and somewhat meaningless. If you back out GK and PLUP (as we should as they had nothing to do with delivering/selecting/supporting grantees) the ratio is 1:2 (\$1 spent = \$2 projects) If you include leverage it is close to 1:3. But, without context this is hard to interpret. If you look at blended finance ratio out the GPF (no PLUP or GK) the blended finance ratio is \$0.8 - not a horrible story if you look at the blended finance literature that is out there.	We have added some additional context to the numbers and included with/without PLUP in the narrative and cost breakdown.
<b>Rini Widiastuti (MCAI M&amp;E)</b>	80 (key success, challenges to operationalizing GPF)	can we have analysis specific about window 1 and 3, related to their objective to leverage private sector and public-private partnership which become one of the priority issues in the Indonesian context? Did GPF provide appropriate CfP, requirement, or perhaps incentive for these particular objectives?	Unfortunately, many of the terminated Window 3 grantees were unwilling to meet with the evaluation team, and these informants would have been a critical source for drawing conclusions about the leverage expectations for Window 3. Within Window 1, grantees did not have substantive comments related to their partnership requirements.
<b>Patel / MCC</b>	72	The grants signed count is off. Based on Annex V of the 2017 M&E Plan, you can see that 77 non-GK grants are listed. Another 2 grants were signed under W3A after the M&E Plan was finalized. So, the total is 79+7(GK) = 86	We counted 76 non-GK grants, plus the 2 W3A, plus 7 GK grants = 85. At any rate, we have revised the figure to reflect the correct amount.
<b>Feldsa / MCC</b>	73	must be noted that partners did not have a specific target for female farmers and were in fact ignoring their existence at the outset. It was by application of the LLA that they realized actual gender roles within the cacao system	We did not find evidence that women farmers were otherwise ignored, although this is plausible in some cases. We do not have the data to support this an overall finding, but certainly mention that grantees appreciated the rigour with which the LLA and gender analyses help them to think about social inclusion. Because of the substantial overlap among these processes, we cannot specifically attribute this to one process or the other.

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<b>Feldsa MCC</b> /	78	One of the main flaws in GPF is that it was set up within MCA which required structures and staff to be brought together from scratch, rather than utilize an existing facility, while MCA could have preserved its programmatic and oversight focus. This is compounded by the fact that MCA closes down and neither structure nor staff remain, detracting from the costly investment.	Please see Section 6.3, which highlights this important issue.
<b>Rosner/MCC</b>	78	It would be very helpful to know which specific MCA-I ERR spreadsheet model(s) Social Impact reviewed for section 5.4 and who on the SI team conducted this review. I have found things that don't appear to make sense in MCA-I's Window One renewable energy models and it would be useful to talk directly to the SI economist who wrote the text on pages 75-79 of the report.	Upon agreement with the PM, we will arrange to have the SI economist meet with the MCC economist at the briefing in DC to discuss this further.
<b>Patel / MCC</b>	79	How come the team's conclusions related to the data input to the ERR benefits streams are not discussed? It seems like that's an important complement to the team's conclusions about the appropriateness of the benefit streams.	We have included some additional text on the benefit streams, especially for Window 2, in the findings and conclusions sections for EQ4
<b>Ahmad/MCC</b>	79	cost effectiveness: PLUP is not under GPF, so its budget should not be included as part of cost-effectiveness. The reports states "GPF spent \$127m to run facility....53% of the funds spent on GPF overall went into the operation of the Facility itself", which is not correct	Please see comments above related to PLUP
<b>Feldsa MCC</b> /	80	interesting observation. how is that risk defined? political? certainly the satker is in no condition to "absorb" any technical risks and even financial risk seem a stretch.	The respondent was talking about financial and political risk. This has been clarified.
<b>Feldsa MCC</b> /	81	the GPF did not necessarily had to be in the MCA and that is a key issue for both operational and sustainability aspects. That said, GOI did not come up with alternatives to the PT Indonesia Infrastructure Finance (which was not pursued given the difficulty of MCA becoming a lender).	Please see the added section 6.3 in which we suggest this consideration be made in the future.
<b>Feldsa MCC</b> /	81	this is rather confusing. Is the same respondent making both statements?	We have re-read the paragraph and find it to be sufficiently clear that yes, it is the same respondent.

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<b>Feldsa MCC</b> /	81	this is another reason why creating a facility from scratch with tools like PMIS that ought to be well established in an existing structure but took on an experimental bent at MCA, was wrongheaded	Please note that we add this (indirectly as it is related to many other mobilisation issues) as a consideration in 6.3
<b>Ian Kosasih (PMC)</b>	81	Another challenge for the GPF was the Project Management Information System (PMIS). As discussed in the design and preparation section of this report, the PMIS design did not start until implementation began. The PMIS is discussed in the design and preparation section because, according to respondents, it should have been done prior to implementation. The co-occurrence of the development of the PMIS and the implementation of programming resulted in problematic reporting and inconsistent requirements of grantees vis-a-vis reporting requirements that the system could accommodate. The result was constantly changing reporting requirements: and a poor PMIS, according to an MCA-I manager. Another MCA-I manager said that the PMIS “totally failed” and, at the time of interviews, was not completed. <i>(Please note that the PMIS was completed in the Base Year contract on March 2015, but that it is correct that changing needs of the program required changes in PMIS business processes throughout the compact)</i> A project management contractor described the PMIS as a “black box” and said that <i>they had to hire a special consultant to understand the PMIS and train grantees on how to use it. (Please Note that the statement in red is not true)</i> Grantees commented that the PMIS was very confusing at the beginning because it kept changing, but by the time of interviews, was “okay.” A grantee commented that they were instructed that emails were “not valid” concerning anything that could go into the PMIS, which limited discussion on any nuances that the PMIS could not accommodate.	This section is edited to better reflect that the PMIS was largely reacting to continued changes in procedures outside to its developers' control. The objectionable sentence highlighted in red remains as it is substantiated by interview data. We specifically say that it was according to a contractor and have added that the developer objects to that claim.
<b>Feldsa MCC</b> /	82	YAY	Thanks for the comment

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<b>Feldsa MCC</b> /	82	There is a clear learning curve in Indonesia for application of IFC performance standards beyond MCA. What has not helped is that grantees were given TAPP funds to search for their own ESP consultants, creating a race to the bottom. An IDIQ mechanism could have helped	Agreed. This point is made in section 5.5
<b>Feldsa MCC</b> /	86	true and one more reason why the facility should be a professional entity not within MCA.	Thanks for the comment
<b>Patel / MCC</b>	87	superscript	Corrected
<b>Feldsa MCC</b> /	89	GK as originally conceived was not to become one more grant window, divorced from the emerging needs of GP grantees	Agreed. We have added this in Table 2 in the executive summary and in the text responding to question 1.
<b>Patel / MCC</b>	90	isn't this a high ratio?	Indeed it is, corrected the text here
<b>Patel / MCC</b>	91	I think this paragraph is specific to RE, so that should be stated in the first sentence.	Added a sentence to note this
<b>Ian Kosasih (PMC)</b>	91	See comments related to page 15 above.	
<b>Feldsa MCC</b> /	92	this section ignores that fact that compounding the "lost years" there was MCC management interference in terms of "windows" and geographic scope (going from 12 to 18 provinces) undid some of the due diligence process and reverted the early motto of having good projects chase the money rather than good money chase after projects.	This is a good point and the report did not pull it out clearly. We have addressed it in response to Table 2 in the executive summary and in response to question 1
<b>Feldsa MCC</b> /	92	a fundamental issue at MCC is that "facilities" are not the responsibility of an identified practice. While FIT belatedly took it over despite not being exclusively a private sector concern, the same FIT practice (staff long since retired) did not do the correct due diligence on the banking/lending restrictions.	Thanks for this point - it would be interesting to discuss this further during the DC presentation of the results

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<b>Feldsa / MCC</b>	92	At a higher, more philosophical level the question is begged whether MCC should invest in creating a facility from scratch rather than strengthening an existing one, which would answer some of the problems identified and would ensure sustainability (and spreading of costs) CED	Thank you. This comment, in combination with some others, prompted us to add section 6.3 to the report, which deals with considerations for future efforts. We have integrated this comment into that section.
<b>Ian Kosasih (PMC)</b>	92	Policy Implications, how about: ..... 6. Consider longer project time period (5 years to disburse USD 600 million through Grant Facilities is considered to short)	Thank you for this. Yes, of course time was the major constraint in the GP. We had not included it as a policy recommendation since it is not realistic in the MCC framework, but we now recognize that the policy recommendations are of broader interest and have therefore added extending the timeframe as a policy recommendation. Regarding We have also addressed a recommendation to this
<b>Ian Kosasih (PMC)</b>	92	Policy Implications, how about: ..... 7. In addition to implement District Readiness Assessment, also coordinate and conduct LL Analysis. The studies than used by MCA-Indonesia to finalize Project locations and the studies are then available for potential grantees when they are developing EOI or Full Proposal.	We agree and have added this as a recommendation.
		Director of Center for Climate Finance and Multilateral Policy / Head of NDA Secretariat could have been a good respondent for this evaluation).	Yes, we agree. unfortunately, the Director was not interviewed.
<b>Patel / MCC</b>		Comment in row 91 of the matrix – you are right that the correct number of grants signed is 85 not 86. Please disregard my comment and go with 85.	OK
<b>Patel / MCC</b>		Number of provinces and districts – do you remember where you got the numbers of 18 provinces planned and 14 implemented. I count 11 provinces where grants were implemented, though that doesn't include GK. I've asked Kathy to give me her number source, which was also lower than yours, too.	Our figure does include GK, and we had also referenced the CfPs to determine the number of provinces where grants were eligible. According to the W3B2 Cfp, bidders could propose a project in 21 provinces.

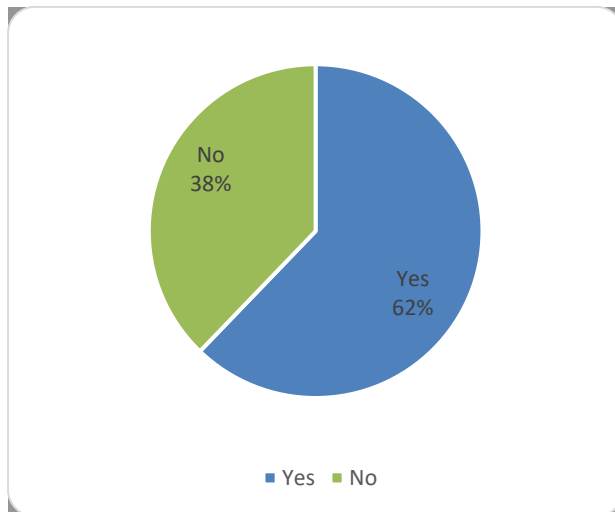


Reviewer Name/ Institution	Page Number	Comment	Evaluator Responses
Patel / MCC		<p>Follow-up on Sergio's comment during the presentation – he posited that the findings on grantees' familiarity with PLUP were driven by us using the wrong terminology, e.g. PLUP (Participatory Land Use Planning) vs. PMaP (Participatory Mapping and Planning). Don't get me started on why those two different acronyms exist, but I personally don't think they're so different that if the interviewer used the full name (vs. the acronym) that the respondent wouldn't be able to link the two. Were the PLUP findings in the report based solely on the online survey or also KIIs/FGDs? Do you remember how the activity (PLUP) was described in Indonesian? I assume you didn't use the term PLUP without some definition/explanation. The ESP team noted that the grantees they visited in the field were familiar with the work of PLUP/PMaP. If the ~90% finding was based on the online survey only, I suggest emphasizing that the sample was limited.</p>	<p>The 93% figure is from key informant interviews. When we asked about PLUP during the interviews, we used the full name (Participatory Land Use Planning) and informally said participatory mapping. If respondents didn't immediately know what we were talking about, we explained that it was a GP exercise for village boundary setting and mapping. This explanation happened in both Bahasa and English, depending on the preferred language of the respondent. Based on how respondents reacted to the question, I assume that we were sufficiently clear for them to know what we were talking about.</p>
Patel / MCC		<p>A few things that Matt emphasized at the presentation weren't familiar to me from reading the report. Please double-check that they are adequately reflected (it's possible I didn't pick up on them):</p> <ul style="list-style-type: none"> <li>• I don't remember reading Matt's point about the lack of a PPA requirement being detrimental in the report.</li> <li>• I don't remember the capacity building/TA points that he raised coming out strongly in the report.</li> <li>• I don't remember his point about legal due diligence being lacking coming out in the report.</li> </ul>	<ul style="list-style-type: none"> <li>• We looked into this during the report drafting and did not find we had sufficient evidence from fieldwork to include this in the report.</li> <li>• We looked into this during the report drafting and did not find we had sufficient evidence from fieldwork to include this in the report. Some of the conclusions Matt had drawn around these points were reflective of his experience with other facilities, rather than directly from data collected for this evaluation.</li> <li>• Our understanding is that Matt was referring to the issue of loans vs. grants, and how this should have emerged during due diligence. We make this connection in the policy implications section.</li> </ul>

Reviewer Name/ Institution	Page Number	Comment	Evaluator Responses
Patel / MCC		<p>Please make sure the two CBA points are addressed:</p> <ul style="list-style-type: none"> <li>Clarify that while MCA/grantees developed the CBAs together, MCC reviewed and signed off on them. However, they have not been made public. This is a deviation from MCC's standard practice of MCC economists leading the ex-ante CBA and making all models public.</li> <li>Footnote which grantee CBAs were reviewed in detail</li> </ul>	<ul style="list-style-type: none"> <li>Added this in the response to Q4</li> <li>We have clarified the sampling methodology for the CBA review</li> </ul>
Patel / MCC		<p>Matt seemed to agree with Peter's point that estimates of WTP in the RE grants were higher than household income, which is implausible. However, I don't remember that critique being in the report. He followed-up saying that Peter's point aligns with the point Matt made in the report about national averages being used in the CBAs, but I think that needs to be clarified.</p>	<p>We have revised the text around assumptions in the ERR methodology to reflect these critiques more clearly</p>
Patel / MCC		<p>Should the cost-effectiveness calculation be updated to include the co-financing across W1 and W3? I think the ICED II figure that was originally a point of comparison had included leverage and the comparison numbers that Matt cited informally also included those. If not, I suggest adding a line or two about why the ET believes the current calculation is the best reflection of cost-effectiveness at this stage (i.e. specify why the co-financing isn't counted). The leverage numbers are in the M&amp;E Plan (target: external resources leveraged) and the ITT (actual: external resources disbursed).</p>	<p>We used co-financing numbers provided to us in January 2018 as these had been verified by MCC staff and matched the timeframe for the estimated cost data. We have also presented the output per dollar spent inclusive <u>and</u> exclusive of leverage in the revised report.</p>

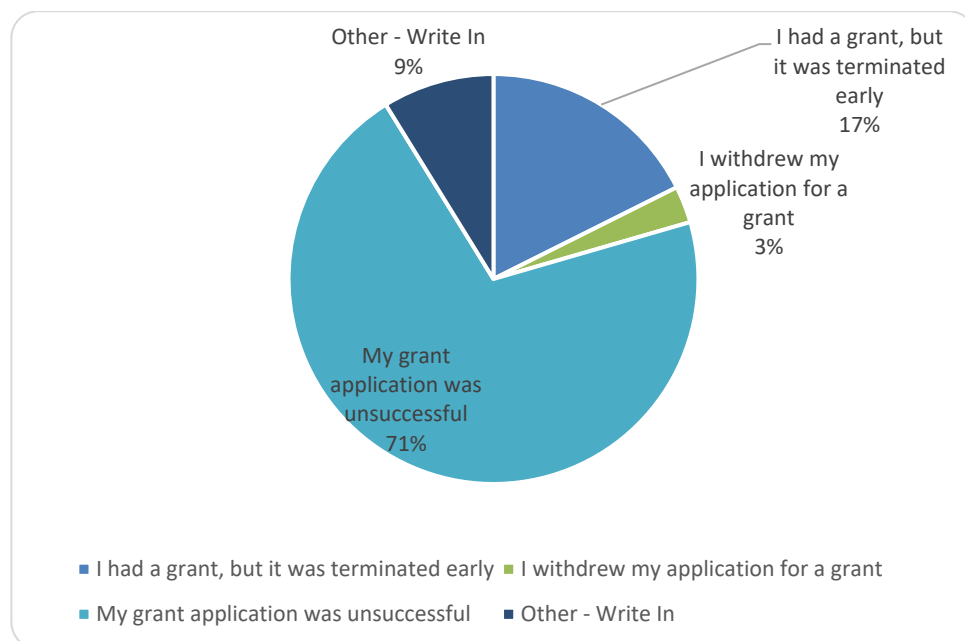
## 8.5 SUMMARY SURVEY STATISTICS

Do you currently have an active grant agreement with MCA-I?



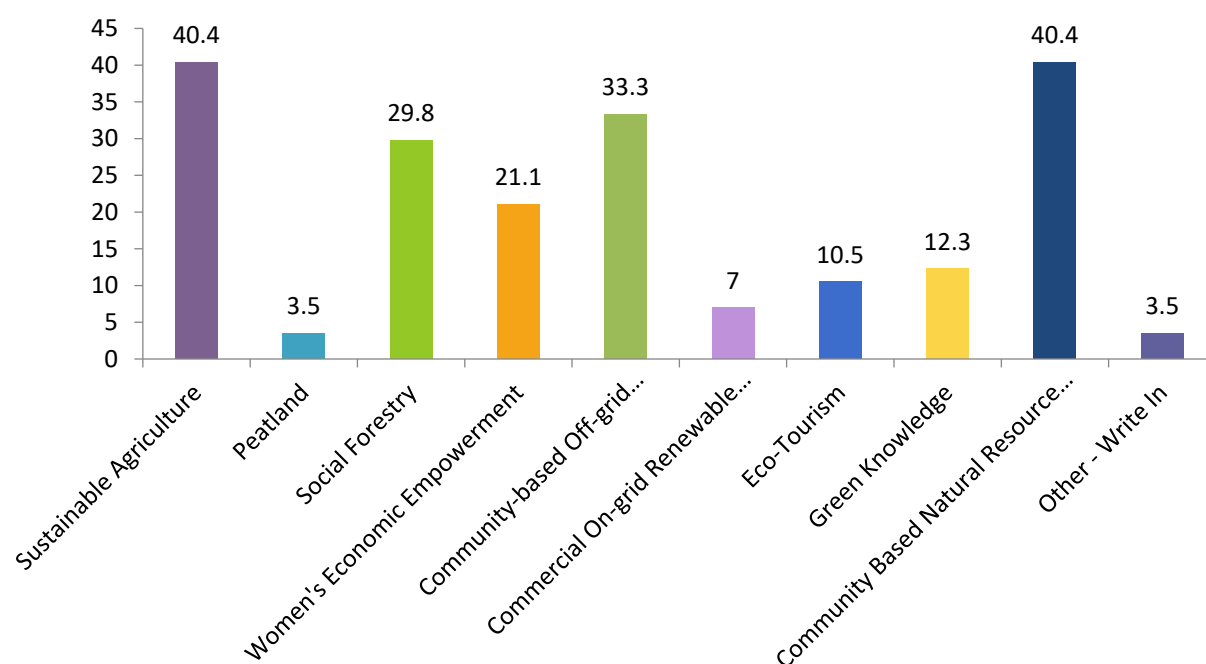
Value	Percent	Count
Yes	62.2%	56
No	37.8%	34
Totals		90

Please indicate the reason you do not have an active grant agreement with MCA-I.



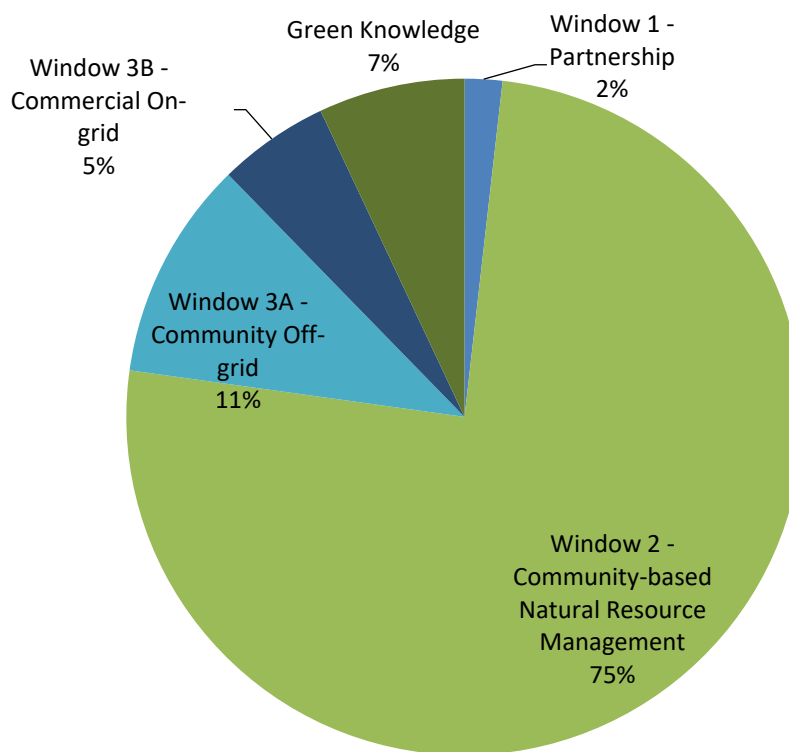
Value	Percent	Count
I had a grant, but it was terminated early	17.6%	6
I withdrew my application for a grant	2.9%	1
My grant application was unsuccessful	70.6%	24
Other - Write In	8.8%	3
Totals		34

How would you describe the sector of your project (or proposed project)? [Select all that apply]



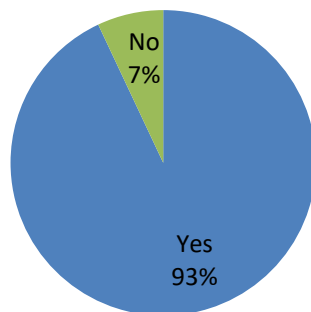
Value	Percent	Count
Value	Percent	Count
Sustainable Agriculture	40.4%	23
Peatland	3.5%	2
Social Forestry	29.8%	17
Women's Economic Empowerment	21.1%	12
Community-based Off-grid Renewable Energy	33.3%	19
Commercial On-grid Renewable Energy	7.0%	4
Eco-Tourism	10.5%	6
Green Knowledge	12.3%	7
Community Based Natural Resource Management	40.4%	23
Other - Write In	3.5%	2

Which GP window is/was your project under?



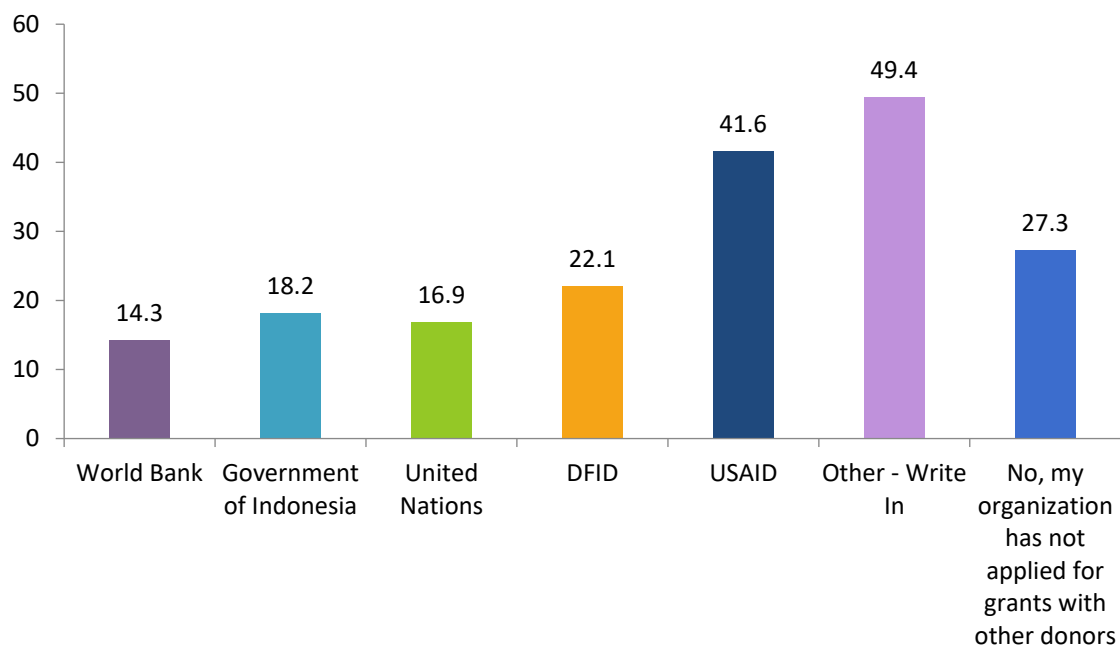
Value	Percent	Count
Window 1 - Partnership	1.8%	1
Window 2 - Community-based Natural Resource Management	75.4%	43
Window 3A - Community Off-grid	10.5%	6
Window 3B - Commercial On-grid	5.3%	3
Green Knowledge	7.0%	4
	Totals	57

Were you involved in the grant application/proposal process?



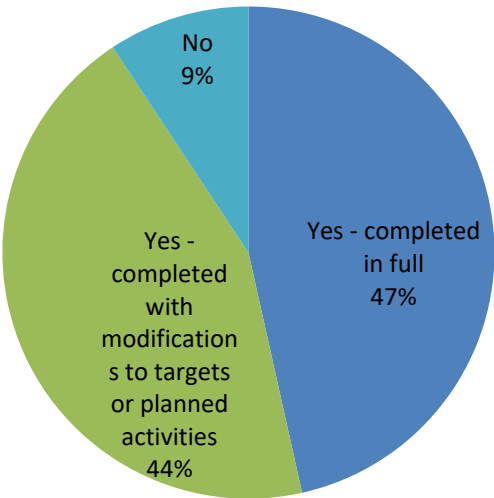
Value	Percent	Count
Yes	93.0%	53
No	7.0%	4
Totals		57

Has your organization applied for grants with any of the following donors within the last five years? (Check all that apply)



Value	Percent	Count
World Bank	14.3%	11
Government of Indonesia	18.2%	14
United Nations	16.9%	13
DFID	22.1%	17
USAID	41.6%	32
Other - Write In	49.4%	38
No, my organization has not applied for grants with other donors	27.3%	21

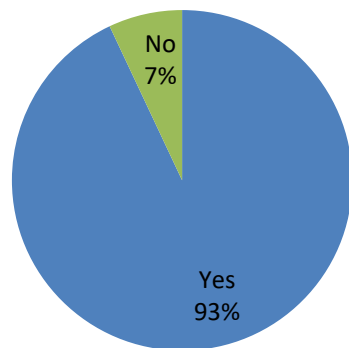
Did you complete the work that was outlined in your grant agreement?



Value	Percent	Count
Yes - completed in full	46.5%	20
Yes - completed with modifications to targets or planned activities	44.2%	19
No	9.3%	4
	Totals	43

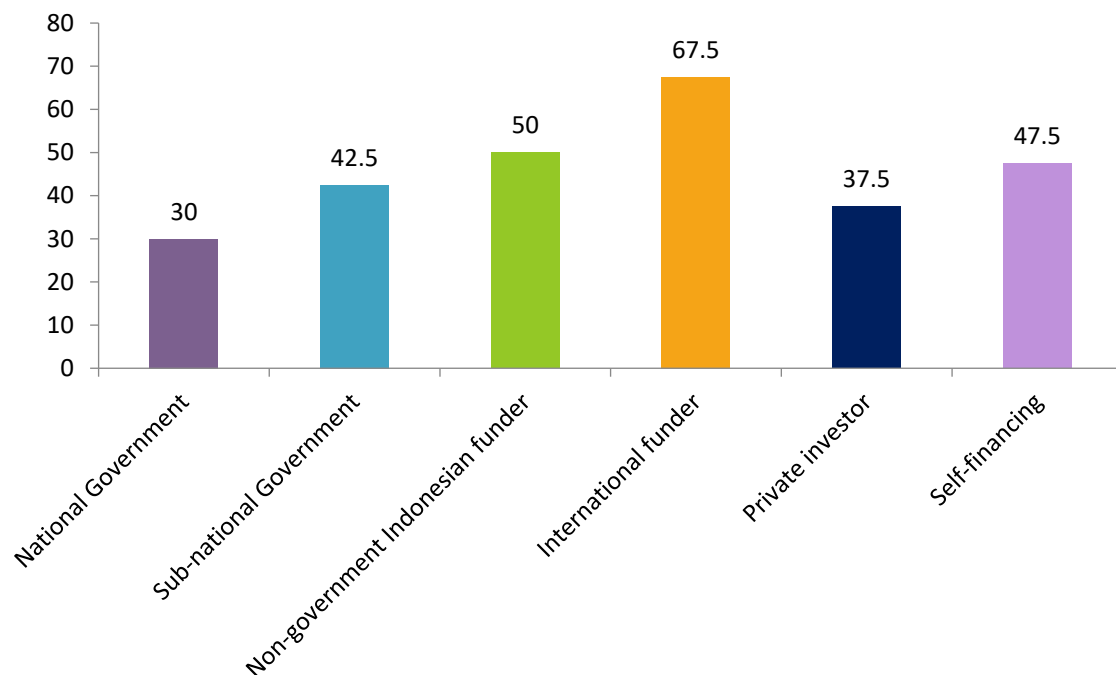


Are you continuing, or do you currently have plans to continue and/or scale up the work of your project without MCA-I funding?



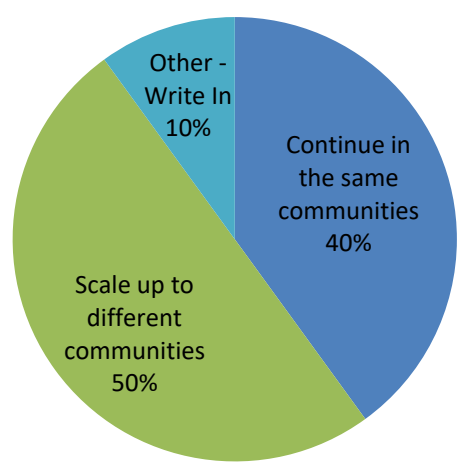
Value	Percent	Count
Yes	93.0%	40
No	7.0%	3
Totals		43

How are you funding this work? [Select all that apply]



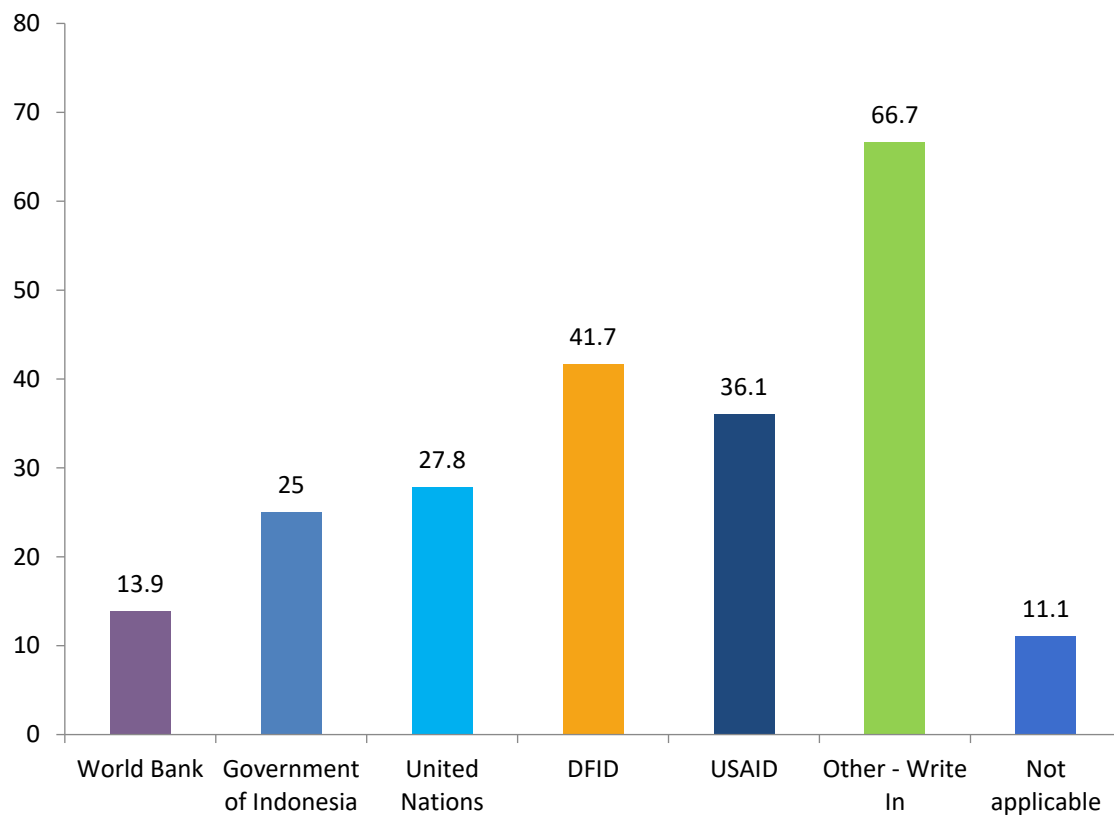
Value	Percent	Count
National Government	30.0%	12
Sub-national Government	42.5%	17
Non-government Indonesian funder	50.0%	20
International funder	67.5%	27
Private investor	37.5%	15
Self-financing	47.5%	19

Will you continue the work in the same communities, or scale up to different communities?



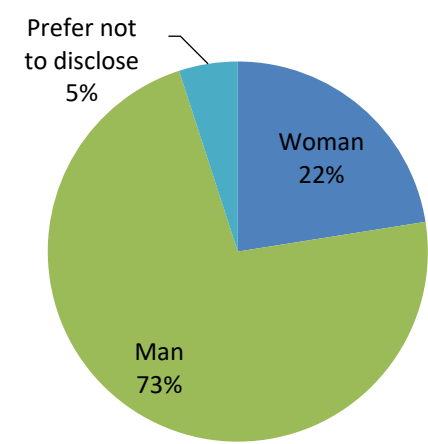
Value	Percent	Count
Continue in the same communities	40.0%	16
Scale up to different communities	50.0%	20
Other - Write In	10.0%	4
	Totals	40

Which donors have you worked with before?



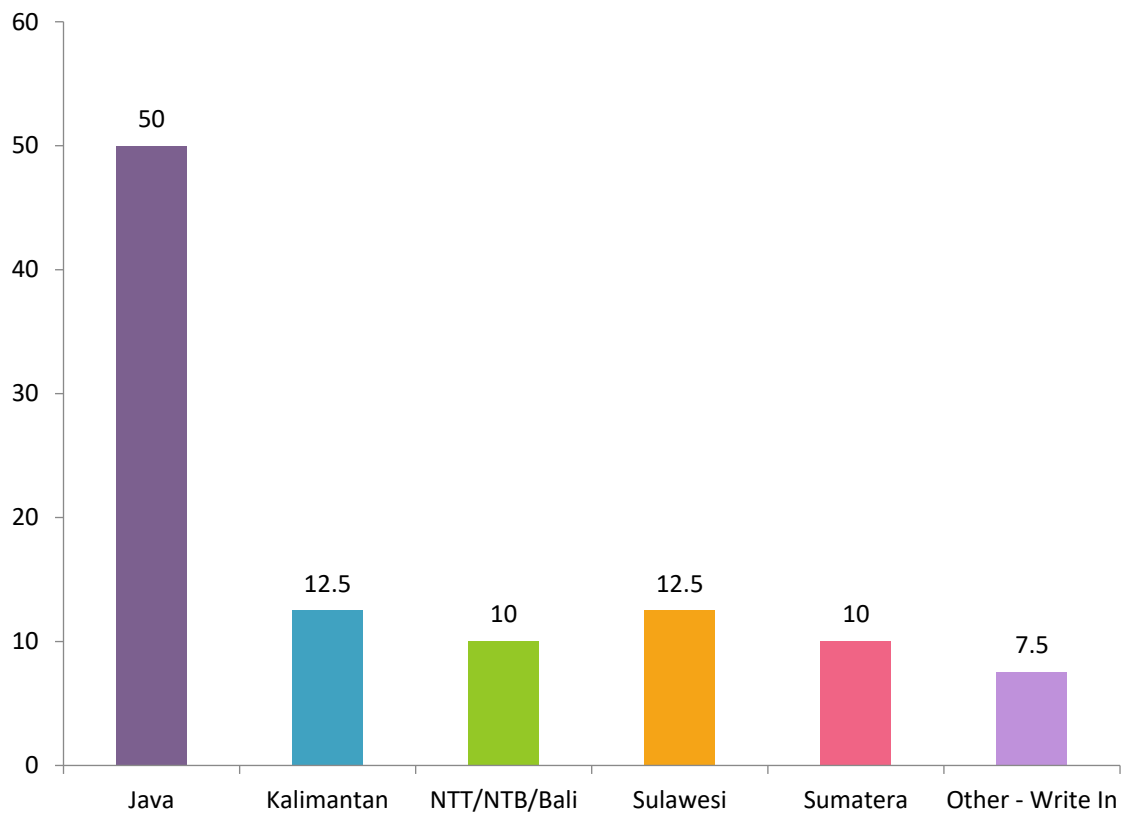
Value	Percent	Count
World Bank	13.9%	5
Government of Indonesia	25.0%	9
United Nations	27.8%	10
DFID	41.7%	15
USAID	36.1%	13
Other - Write In	66.7%	24
Not applicable	11.1%	4

Please indicate your gender



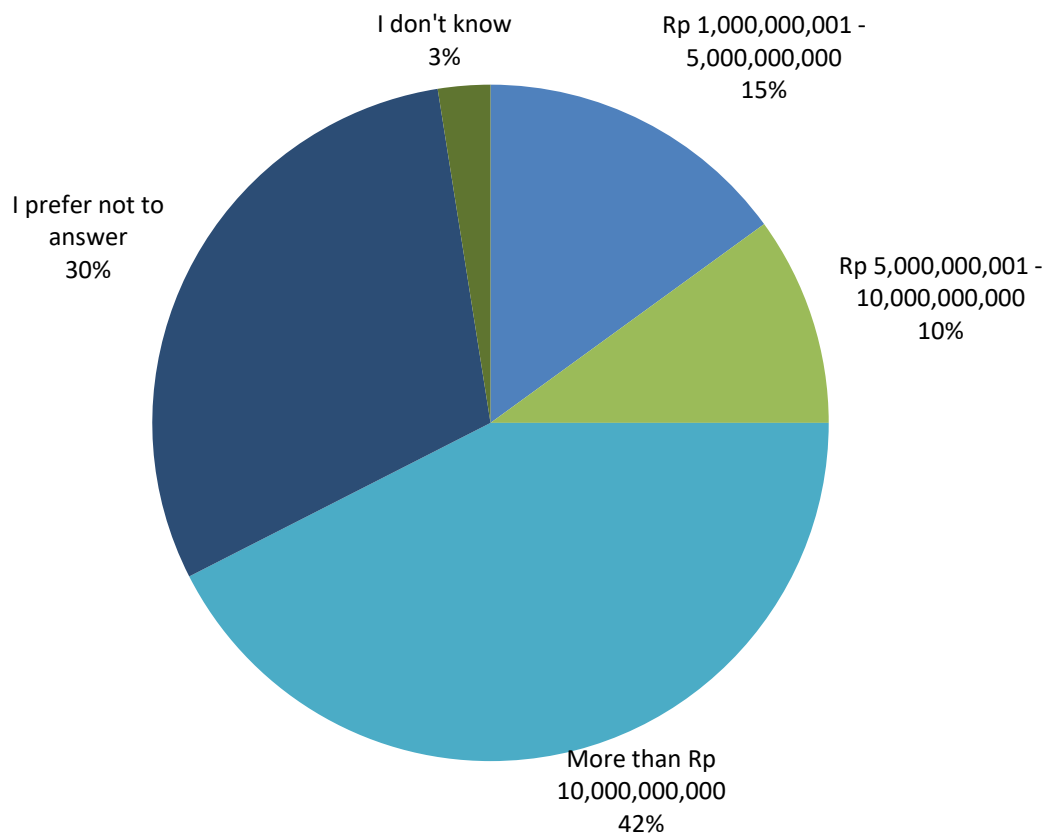
Value	Percent	Count
Woman	22.5%	9
Man	72.5%	29
Prefer not to disclose	5.0%	2
	Totals	40

Where is your organization located?



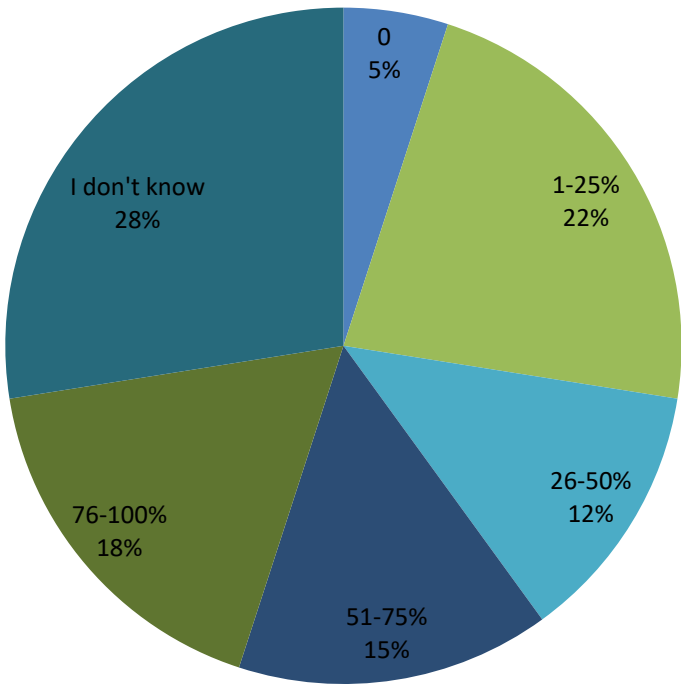
Value	Percent	Count
Java	50.0%	20
Kalimantan	12.5%	5
NTT/NTB/Bali	10.0%	4
Sulawesi	12.5%	5
Sumatera	10.0%	4
Other - Write In	7.5%	3

What is the annual turnover in your organization (including MCA-I funds)



Value	Percent	Count
Rp 1,000,000,001 - 5,000,000,000	15.0%	6
Rp 5,000,000,001 - 10,000,000,000	10.0%	4
More than Rp 10,000,000,000	42.5%	17
I prefer not to answer	30.0%	12
I don't know	2.5%	1
	Totals	40

What percentage of your organization's total turnover is the GP project?



Value	Percent	Count
0	5.0%	2
1-25%	22.5%	9
26-50%	12.5%	5
51-75%	15.0%	6
76-100%	17.5%	7
I don't know	27.5%	11
	Totals	40