**FCO SPF PROJECT EVALUATION**

1. **Project Details**

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| Project Number | GB-3-PPY1020 INA  GB-3-PPY 1007 INA |
| Project Title | Unlocking Energy Efficiency Investment Potential in Indonesia |
| Project Cost (total cost / cost to FCO if different) | £233,550 |
| Project Start/End Dates | 1 July 2011 to 31 March 2013 |
| Programme | Prosperity Fund |
| Country/Countries | Indonesia |
| Official Development Assistance Y/N | Yes |

1. **Project Purpose** (from proposal form)

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| To develop a successful model of energy efficiency as a business case by applying ESCO (Energy Service Company) business model and support for establishment of energy efficiency financing mechanism in Indonesia. |

1. **Project Background / Context** including what the project set out to achieve (150 words max)

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| Investments in energy efficiency are a cost effective way to reduce greenhouse gas emission, at the same time, having energy efficiency on board is basically saving money. However, making investment in energy efficiency works requires a set of conditions, in addition to the size of potential market. Indonesia has large potential for energy efficiency and the Government of Indonesia (GoI) has set ambitious target to reduce energy intensity by 1% per year on average until 2025 in its energy efficiency plan.  Nevertheless, this target is clearly lacking of support by policy measures and regulatory instruments; undermining by energy subsidies and poor energy financing scheme to specifically supporting access to finance for energy efficiency projects. ReExCapital Asia Report on Energy Efficiency in Southeast Asia’s Market Feasibility Report (2010) concluded that “despite ambitious energy efficiency goals in place, it is hard to take confidence that these will lead to the rapid investment.” The report analyse that this problem laid in the institutional weakness to manage energy efficiency program, and the overall poorly regulatory capacity to support large scale and sustainable energy efficiency projects.  The solution to this problem is by taking the first approach to strengthen regulatory capacity by identifying and recognizing the implementation barriers of energy efficiency project, addressing coordinated measures.  This project is an effort to develop strategies and action plans to remove the implementation barriers and institutional weakness through a multi-stakeholder process. It is assumes that once the barriers are removed and institutions are strengthen, the energy efficiency market potential shall be unlocked and create opportunities for the investment to flow into energy efficiency. The final outcome will serve as “blue-print” and action-plan document for all stakeholders in the energy efficiency sector that will guide the measures identified by the framework and strategy to improve regulatory capacity, to be taken by government, business and consumer. This project will also compliment other initiative on energy efficiency for, such as DANIDA project for energy efficiency for building. Finally, the developing market of energy efficiency will create benefit for many stakeholders, including government, business, and consumers. |

1. **Evaluation summary**

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| **The Project has made good progress despite the challenges**  The evaluation was expanded mid way to include PPY INA 1007 – the precursor to PPY INA 1020. From the start, the project was fraught with challenges, as key leadership positions within the Ministry of Energy changed twice.  The key benefits that arose from the project included better inter-ministerial coordination and dialogue, the development of champions within key ministries, and the good progress towards leveraging host government and other donor funding on Energy Efficiency.  One key outcome was the report, funded by DFID as a result of our project that highlighted the need for high quality energy audits as a way to show what could be saved and how investors could make money. As a result, The French Development Agency, (AFD), is now trying to scale up commercial use.  The project also contributed to the strong working relationship between post and Ministries. The UK is being seen as the partner of choice on energy, which has opened the door to senior level bilateral engagement.  **But is it still chasing after the prize?**  18 months on, key initiatives are still being pursued and channelled through government. Changes in government are adding to this delay. But expectations are that the new administration will take positive action once it comes into power. |

1. **Questions**

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| Did the project achieve the project purpose? | Yes |
| Did the project come in on budget? (Y/N)  If no, why and what was the difference in cost? | No. Changes to political appointments meant that certain activities were cancelled |
| Was the project completed on time? (Y/N)  If not, why not? | Yes |
| Were the Project benefits sustained after project completion? | Yes |

1. **Overall Red / Amber / Green rating** for project

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| --- | --- | --- | --- |
| Overall Rating for project (put **X** in relevant box) | | | |
| Red | |  | |
| Red | Amber |  | |
| Amber | | | **X** | |
| Amber | Green |  | |
| Green | |  | |

Guide to overall rating:

Green- project performed well under each of the evaluation criteria: relevance, efficiency, effectiveness, sustainability, impact and management

Green/Amber – project performed well under most criteria and adequately in others

Amber/Red – project performed adequately under some criteria but poorly in others

Red – project performed poorly under most criteria

1. **Top 5 Lessons learned**

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| 1. Working with Government is the best way to enact policy change 2. Issues involved are highly complex and inter-related. A long game strategy is required. 3. Nurturing strong relationships are the key to realising unintended long term benefits 4. Prosperity Fund projects can play a niche role in facilitating access to larger amounts of finance 5. Agile and light touch administration is a key strength of the Prosperity Fund |

1. **Recommendations for future projects**

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| 1. Strong interest from the Ministry of Energy for pilot projects on Energy Efficiency 2. Ministry of Energy mentioned that they would welcome continued support from UK Climate Change Unit on Investment Grade Audits and with re-starting the discussion with The Fiscal Policy Agency of the Ministry of Finance (Biro Kebijakan Fiskal, BKF) on the Energy Efficiency Revolving Fund (EERF). 3. Post may wish to see in the light of significant funding from DECC to the Revolving Fund what other niche areas Post can continue to make a contribution. |