



Empowered lives.
Resilient nations.

PROJECT DOCUMENT

Country: INDONESIA

Project Title: Indonesia's Market Readiness Proposal Under the Partnership for Market Readiness (PMR for Indonesia)
Project Award ID: 00097002
Government Counterpart: Coordinating Ministry of Economic Affairs
Implementing Partner: UNDP CO Indonesia
Start Date: 11 November 2016
End Date: 10 October 2020
PAC Meeting Date: 3 November 2016

Brief Description

Climate change is an important issue in Indonesia. The country consists of thousands of islands with low-lying coastal areas liable to floods as well as arid lands and a fragile mountainous ecosystem. The country's GHG emissions is large and continuing to increase rapidly not only because of a growing population, but also the increasing growth rate of the economy.

Indonesia continues to actively participate in international negotiations on formulating effective efforts in combating global GHG emissions. In the recent Paris Agreement (2015), Parties agreed to link global ambition target of GHG emission reduction to carbon markets. Indonesia welcomes the concept of scaling-up national mitigation efforts by facilitating a market-based approach to incentivize emission reduction within developing countries, or between developed and developing countries.

The Partnership for Market Readiness (PMR) is a platform designed to specifically help countries prepare for market-based policy choices and future implementation. As a PMR implementing country, Indonesia developed a Market Readiness Proposal (MRP), which was endorsed by the PMR's 7th Partnership Assembly meeting in Marrakech on October 22-23, 2013.

The World Bank, through the PMR programme, provides funding for the implementation of the MRP, and the UNDP Indonesia Country Office has been appointed as the delivery agent responsible for project implementation. The Coordinating Ministry of Economic Affairs is the main government counterpart. Other key government stakeholders are the Ministry of Environment and Forestry (KLHK), the Ministry of Energy and Mineral Resources (ESDM), the Ministry of Industry (MOI), the Ministry of Finance, as well as the state-owned electricity state-owned enterprise, PLN and industry associations.

The project aims to support the government to determine an appropriate market-based instrument (MBI) to reduce GHG emissions. This will be achieved through the development of GHG emissions profiles and monitoring-reporting-verification (MRV) systems in power generation and energy-intensive industries; and the development and piloting of a framework for market-based instrument (MBI) in Indonesia.

Considering the political sensitivity and time-bound type of initiative, the project will be implemented through the DIM modality, as requested by the government. Activities will be initiated on the basis of an agreement between the World Bank and UNDP on funds to be provided for the project (see Annex 6: TF No. TF0A3491).

It is expected that the project will support Indonesia's readiness to implement a market-based approach as part of mitigation actions towards the achievement of its Nationally Determined Contribution (NDC) to combat the adverse impact of climate change.

Contributing Outcome (UNDAF/CPD, RPD or GPD):	
UNPDF/CPD 2016-2020 Outcome:	Outcome 3: By 2020, Indonesia is sustainably managing its natural resources, on land and at sea, with an increased resilience to the effects of climate change, disaster and other shocks.
UNDP Strategic Plan 2014-2017 Outcome:	Outcome 1: Growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded.
CPD 2016-2020 Indicative Output:	Output 3.2. National/subnational government capacities enhanced to adopt Green Economy/Low Carbon models and approaches and to protect forests

Total resources required:	3,150,000	
Total resources allocated:		
	UNDP TRAC:	-
	IBRD:	3,150,000
	Government:	-
	In-Kind:	-
Unfunded:	3,150,000	

Agreed by

UNDP Country Director



Christophe Bahuet

Date: 11 November 2016

I. DEVELOPMENT CHALLENGE

Climate change is an important issue in Indonesia. The country consists of thousands of islands with low-lying coastal areas liable to floods as well as arid lands and a fragile mountainous ecosystem. The country is also densely populated, making it the world's fourth largest populated country. The country's GHG emissions are large and continue to increase rapidly not only because of a growing population, but also because of the increasing growth rate of the economy. Indonesia needs to act to face the climate change threat, to prevent man-made natural disasters, and to make every effort to cope with problems through climate change mitigation and adaptation actions.

According to the Indonesia Second National Communication (SNC), the total estimate of Indonesia's annual emission in 2005 came to 1,791.37 MtCO₂e in which the energy sector contributes 369.8 MtCO₂e and industrial processes contribute 48.73 MtCO₂e. As depicted in Figure 1 below, those emissions are estimated to be around 23% of the total national GHG emissions.

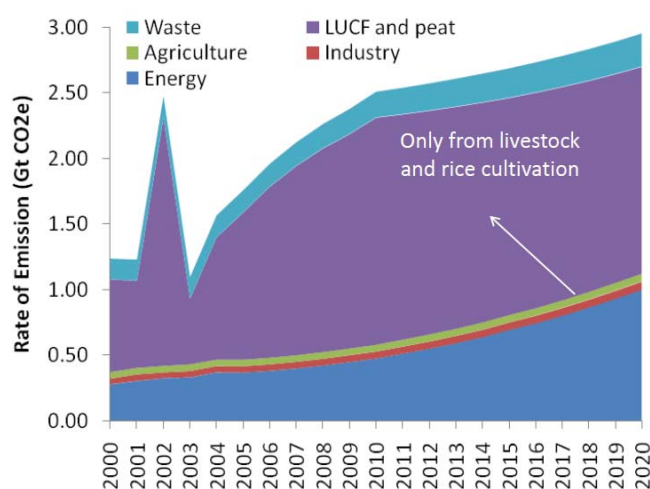


Figure 1. Historical and Projection of GHG emission under BAU scenario (Source: SNC, 2010)

While land-based emissions are currently the main emissions source, Indonesia's Greenhouse Gas Abatement Cost Curve (DNPI, 2014) predicted that energy sector will become the major emissions source after 2020. The study predicted that power generation alone will contribute to 38% of Indonesian emissions in 2030. Considering the Indonesian INDC BAU emission level in 2030 of 2.881 GtCO₂e, emissions from power generation alone could reach 1 GtCO₂e in 2030.

Therefore, there are at least two main development challenges if Indonesia does not take significant actions in climate change mitigation, i.e., (i) increasing development risks due to climate change impact and (ii) increasing dependency on fossil fuels.

There are initiatives to reduce the dependency on the fossil fuels, as well as the associated GHG emissions, particularly underlined by the 2014 National Energy Policy. The policy targets 2025 energy mix that would have 23% of primary energy coming from new and renewable energy sources, and national energy intensity cut by 1% per annum during 2015-2025.

Both power generation and industry are of significant energy consumption. In 2014, for instance, power generation consumes 331 MBOE of primary energy. In term of final energy, industry consumes around 34% of total final energy supply in 2014 or about 433 MBOE. Therefore, in order

to implement a low carbon economy in Indonesia, it definitely will require paradigm shift in those sectors. This issue becomes more important after the submission of Indonesia Intended Nationally Determined Contribution (INDC) for climate change mitigation to UNFCCC where the country stated its intention to unconditionally reduce GHG emissions by 29% below BAU level in 2030 using, among others, energy conservation and promotion of clean and renewable energy resources.

However, there are several barriers in implementing low carbon economy and climate change mitigation efforts in Indonesia, i.e.,:

- Limited public funding

While public funding is limited, mitigation actions are costly as they involve the use of new technology, new facilities, and different operational management which inherently has higher initial investment costs. Even though low carbon technologies deliver climate and environmental benefits, those are not easily valued thus is not correctly reflected in the investment costs. Therefore, using a market-based approach to incentivize mitigation actions could make them economically attractive and yield a promising additional source of funding from private sector.

- Limited operational capacity

Implementing mitigation actions may require new institutions or expansion of existing institutions. Extensive education and training programs are therefore required. Human resources are limited for running the programs; and there is a lack of capacity to develop and implement a monitoring plan for GHG emissions, which may be necessary for regulation compliance and/or accessing incentive.

- Lack of climate change awareness

Better understanding of climate change issues and greater support for mitigation actions is needed. Extensive social promotion in this regard is necessary.

- Lack of political support

Not all decision makers share a common understanding of the purpose of climate change mitigation actions being implemented. Sometimes people reject the establishment of certain projects if they feel it doesn't have direct relation to their short-term interests. Providing working examples in which economic and socio-political interests are able to harmonize would encourage the policy makers to support climate change mitigation actions.

- Ownership insecurity

The decision to implement and run mitigation programs and actions requires the involvement and ownership of all stakeholders. All stakeholders have to understand and support the decision as coordinated actions is necessary for a successful mitigation actions.

At the global level, it is recognized that developed countries should take the lead in combating climate change (Para. 1 of Art.3 UNFCCC), but there are opportunities for developing countries to also do their part. However, in terms of cooperation and policy development, contributions from developing countries have not been significant yet. International negotiations on climate change have been, to a large degree, focusing on giving place and encouraging developing countries to negotiate a comprehensive framework for enhanced action on mitigation, adaptation, and other key elements.

Indonesia is doing its part to reduce GHG emission concentration in the atmosphere as evidenced by its ratification of the UNFCCC through Indonesian Law No. 6/1994 and the Kyoto Protocol through

the Indonesian Law No. 17/2004. Following these two ratifications, Indonesia endorsed the Clean Development Mechanism (CDM) project scheme, established a Designated National Authority (*KOMNAS MPB*), established the Sustainable Development Criteria as required by CDM, and performed many capacity building activities on CDM for government officials, the private sector, academia, and other related sectors. These capacity building activities helped to enhance CDM and the design of CDM projects by the private sector.

GHG emission reductions in the form of carbon credits can be used to meet climate commitments while simultaneously contributing to low-emissions economic development. Those factors help build the demand for international carbon credits under the Kyoto Protocol. Until May 2016, 256 Indonesian projects and programs have attempted to implement CDM. 157 of them have successfully registered as CDM projects/programs under the UNFCCC scheme, and 44 projects have been awarded with Certified Emission Reductions (CERs) equivalent to reduction of 19.6 million tonne of carbon dioxide.

CDM is an eye-opener experience for Indonesia that shows how a market-based instrument can deliver tangible incentive and trigger change in stakeholders' perspective toward climate change mitigation actions. In Indonesian case, the CDM had been the significant agent-of-change in waste management and waste-to-energy area.

The Indonesia-Japan cooperation of Joint Crediting Mechanism (JCM) is another valuable experience for Indonesia to learn a different type of market-based instruments. From its establishment in 2013, the JCM has been developing pipeline of projects with total emission reduction potential of around 300,000 tonCO₂e. The JCM has been so far showed that a market-based instrument can also enhance bilateral cooperation in clean technology investment and transfer.

This proposal will further elaborate the possibility of a market-based approach be designed and operated domestically by Indonesia to help the country's shift to low carbon pathway and contribute to the global fight of climate change.

II. STRATEGY

Putting a price on carbon is an approach taken by many countries or regions to combat the barriers similar as above. In the recent Paris Agreement (2015), Parties agreed to link global ambition target of GHG emission reduction to carbon markets approach through the establishment of a new net mitigation mechanism to sustainable development. Additionally, an enhanced transparency framework will also need to be developed with the market mechanisms in mind. The agreement acknowledges that markets are needed to get countries on a low emissions development pathway and increase ambition to keep warming to well below 2 degrees. It paves the way for a renewed international carbon market that will look and be different.

As many countries do, Indonesia seeks the possibility to establish and enhance market-based mitigation action and use carbon pricing to achieve climate related objectives. Indonesia is among 74 countries and more than 1000 business that expresses their support for carbon pricing during the UN Climate Summit in New York, September 2014. "Market-based instruments" in this document refers to domestic instruments, such as emissions trading schemes (ETS), and scaled-up market-based mechanisms, such as offset systems, which may have domestic and international elements. Together with fiscal instruments such as carbon tax, it forms carbon pricing where GHG emissions are economically valued to encourage emissions reduction.

Domestic market-based instrument is a promising tool to cost-effectively abate GHG emissions and overcome mitigation actions' implementation barriers. Indonesia's experiences in using the international carbon market and the recently developed bilateral carbon offsetting scheme, will be valuable input for assessing and developing such mechanisms to scale-up its mitigation actions. Indonesia is looking forward to having a well-developed carbon market by virtue of positive cooperation with international institutions including the PMR as reflected in Indonesia's Expression of Interest for PMR, November 12, 2010.

One of the main purposes of the PMR is to help countries identify suitable market instruments to scale up mitigation efforts in line with their climate change mitigation goals and development objectives. The first step toward implementing a market-based instrument is to build market readiness capacity (policy, technical and institutional). The project will also propose to develop MRV systems and other efforts toward the creation of a regulatory framework for the implementation of market-based instruments. The figure below depicts the phases of market readiness that this proposal will follow to some extent.

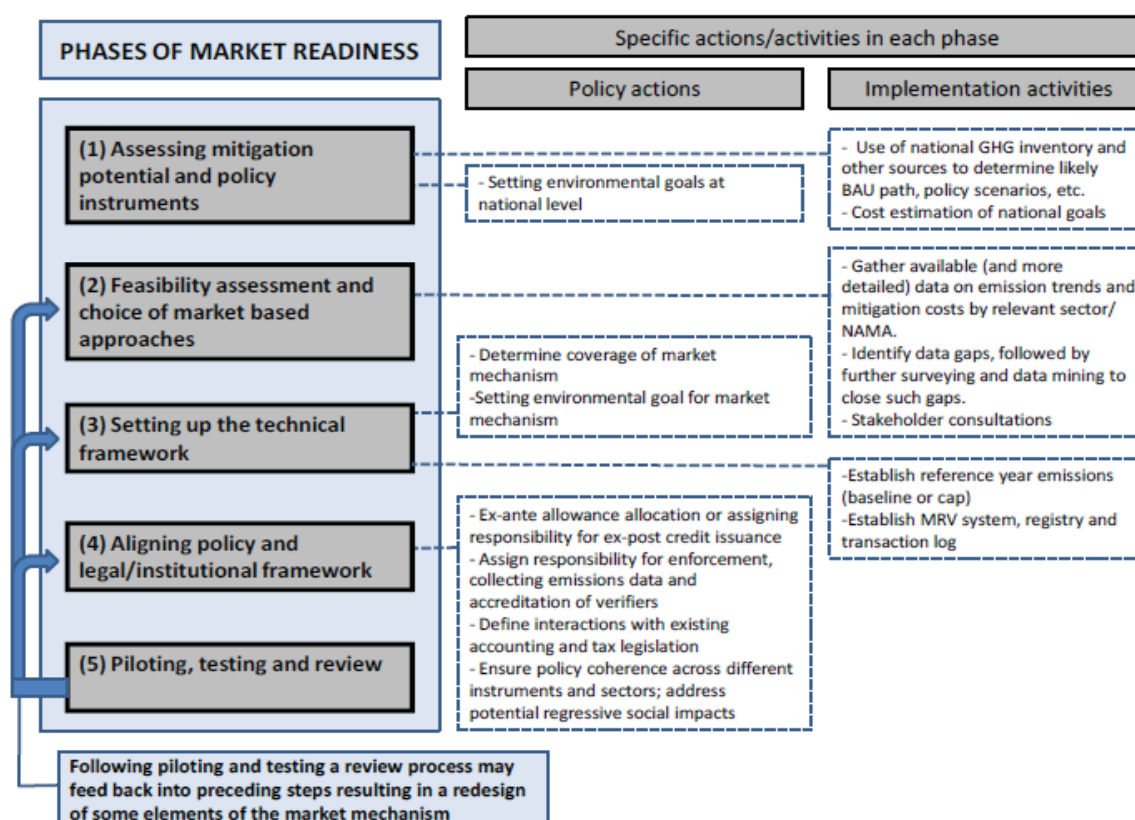


Figure 2. Phases of market readiness (Source: OECD, IEA, 2010)

This proposal re-formulates Indonesia's market readiness and capacity proposal presented to PMR's Partnership Assembly, which involves assessing and identifying suitable market instruments and sectors, technical, policy, and institutional components, and piloting market instruments. This proposal, which corresponds to the Indonesian Market Readiness Proposal (MRP), consists of three programs, namely emission profiling and MRV system development in the power generation and in

energy-intensive industries, and development of a framework for implementation of market-based instruments.

The approach pursued by this proposal includes the following goal, objectives, and purpose:

The Long Term Goal: The establishment of a new mechanism or market-based instrument for mitigation actions in Indonesia based on country-specific conditions and international carbon market situations.

The Objectives: To understand and identify the type and scope of suitable market-based instruments, drafting and establishment of new regulation needed, design and establishment of the market infrastructure, identification of methodologies and market-based instruments, and building the required human resources capacity.

The Purpose: To develop and encourage consensus and commitment, knowledge, competence, ideas, and recommendations of the ministries and other stakeholders which may be involved in the forthcoming market instrument.

This proposal's ultimate goal is to enable cost-effective mitigation actions in the energy sector, particularly in power generation and energy-intensive industry. In power generation, the Java-Madura-Bali or JAMALI grid would be the case study to pilot the MRV system. JAMALI grid is the biggest interconnected electricity system in Indonesia, and comprises more than 60 power plants including 38 coal-fired power plants. Estimated emission from electricity generation in the JAMALI grid is 83.3 MtCO₂ (2009) to 86.9 MtCO₂ (2010). In energy-intensive industry, pulp-and-paper¹ industry would be the case study to pilot MRV system. According to Indonesian Energy Outlook 2014, pulp-and-paper industry consumes 4.8% of the industry sector's total final energy consumption or around 3.4 million ton-oil-equivalent.

The prospect of having market-based instruments in Indonesia to scale-up national mitigation actions will be determined by several factors such as: national stakeholder participation, government willingness, private sector involvement, prospective demand, and readiness of a national carbon market framework. Therefore, the activities proposed in this proposal will be conducted using participatory principles and seeking for high level of involvement and ownership from the related stakeholders.

This project will incorporate any relevant lessons learned identified before and during the project implementation. In terms of MBI, not much lessons learned are available but the Project will use Indonesian experiences in CDM, JCM and the development of Nusantara Carbon Scheme (SKN) which developed by the previous National Council on Climate Change. In terms of MRV, the Project will use lessons learned from the establishment of MRV system for National Action Plan in GHG Emissions Reduction (RAN-GRK) and for the national GHG Inventory.

The project will conduct an analysis on its potential impacts to women & girls and marginalized groups to confirm this assumption that there are no substantial negative impacts considering the nature of the project. Furthermore, in some areas, women have shown their commitment to a

¹ In the original MRP presented to the PMR Partnership Assembly meeting in Marrakesh, October 22-23, 2013, cement industry is planned to be the industry's pilot MRV system. However, after recent consultation with the Ministry of Industry, it was found out that at the moment the cement industries have been pretty advanced in undertaking monitoring and reporting their GHG emissions. This is particularly due to successful implementation of Minister of Industry Regulation No. 12/2012 on the Road Map for CO₂ Emission Reduction in the Cement Industry. The regulation mandates cement industries to do voluntary emissions reduction of 2% from 2011 – 2015 and obliges emissions reduction of 3% from 2016 – 2020. Hence, less support is required to identify mitigation options and run an MRV system in the cement industry sector.

sustainable future by volunteering renewable energy champion, and this example will also be explored and promoted.

Considering the exit strategy after the project termination in 2020, the project aims to have working MRV systems in power and energy-intensive sectors and advanced discussions about market-based instruments implementation in Indonesia. Recommendations resulted in this project would be one of the important input for policy makers with respect to the market-based policies in post 2020 climate change regime. All of the knowledge, experiences and lessons learned during the project will be stored, managed and shared among relevant stakeholders to ensure that it can be used to inform further policy making process.

III. RESULTS AND PARTNERSHIPS

Expected Results

The activities proposed in this proposal are focusing on core technical and institutional/regulatory market readiness components and seek to raise Indonesia's readiness to implement market-based instruments with or without international linkages, within or beyond the national mitigation commitment, and beyond a project-based approach.

The project is expected to generate the following outcomes:

- Outcome 1.* Policy makers and relevant key stakeholders understand the current and expected GHG emissions status, opportunities and costs to reduce emissions in the target areas;
- Outcome 2.* Policy makers and relevant key stakeholders in the target areas understand the concept of sector-scale MRV system and able to design and operate one;
- Outcome 3.* Policy makers and relevant key stakeholders understand the available market-based instrument options and the know-how to design and operate an MBI; and
- Outcome 4.* Public awareness and knowledge about MBI are increased.

To achieve the outcomes as mentioned above, the activities in this proposal is categorized in five different components, namely:

- Component 1.* Profiling emissions in the power and industry
- Component 2.* Design of governance aspects of an MRV system
- Component 3.* Piloting an MRV system
- Component 4.* Development of a market-based instrument framework
- Component 5.* Organization, communication, consultation and engagement

Component 1. Profiling Emissions in Power and Industry

A critical aspect in development of a market-based instrument (MBI) is understanding of the potential market, i.e., the demand. The demand for carbon credits or other output of the MBI can be generated by putting emission reduction obligation to a part or the whole of an economy. Demand for CERs

were generated via such approach due to emission targets and goals obliged onto the developed country parties of Kyoto Protocol.

A better understanding of the emission profile of the targeted areas will be beneficial for any further process in target and goal setting. Studies will be conducted to estimate potential emission reductions, calculate and project baseline emission, and estimate CO₂ abatement cost of mitigation actions in the target areas. This information will support the development of policies on GHG mitigation action for the target areas, including the decision making on the implementation of a market-based instrument.

This proposal describes the work that will be necessary to support future target and goal setting in the target areas within the energy sector and that is proposed for PMR support in the implementation phase.

Table 1. Description of works for profiling emissions in power and industry

Objective	Rationale	Deliverable(s)	Description	Party(ies) Responsible For Action / Type of Action Required	Time Required for Completion (months)
To estimate the emission reduction potentials and abatement cost of mitigation actions in the target areas.	Studies will be required for better understanding of the emission profile on each target area of this MRP. This study will at the same time be used to estimate potential emission reduction and CO ₂ abatement cost of each power plant type so that the result of this study can be used to develop sound policy for GHG mitigation for the power and industry sectors.	A comprehensive carbon abatement cost curve in the two target areas.	A comprehensive carbon abatement cost curve is necessary for policy reference and will be developed through a participative method ensuring stakeholders engagement. Desktop study, site visit, focused-group discussions and surveys (e.g. energy audit) are among the possible methodologies (in conjunction with baseline emission study).	MEMR / Facilitation in power sector; Approve Term of References Mol / Facilitation in energy-intensive industries sector; Approve Term of References	12
To calculate/ review/ estimate baseline emission of the target areas.	There are previous reports on this subject; however it is seen as necessary to update the results reflecting best available technologies and using more participative methods to encourage stakeholder engagement.	Calculated, reviewed or estimated sectoral baseline emissions of the target areas.	Based on the available information, baseline work carried out as part of the study will aim to update the information on the GHG emissions from the target areas under various scenarios.	MEMR / Facilitation in power sector; Approve Term of References Mol / Facilitation in energy-intensive industries sector; Approve Term of References	12

Component 2. Design of Governance Aspects of an MRV System

The objectives of an MRV system are to:

- Support GHG reporting, management, and ultimately mitigation (by the relevant ministries and private sector entities).
- Improve data accuracy, quality and consistency (applies to all industrial activities).
- Support related policies, programs, and strategies (e.g., energy conservation, GHG emission reduction).
- Provide information to stakeholders (e.g. investors).
- Support implementation of market-based instruments.
- Serve as a benchmark for other sector.

The MRV system must be implemented at both the level of individual installations and the level of governance (i.e., the policy framework for installation level activities). In both levels, the MRV system must consider the building blocks of legal and stakeholders support, policy harmonization and sufficient capacity.

Several policies can serve as legal basis for the development of an MRV system, such as RAN-GRK, GHG national inventory, Mol's Ministerial Regulation No.12/2012 on the cement sector's GHG emission reduction road map, the Government Regulation on energy conservation, etc. However, building stakeholder support and capacity is a continuous work. So far, there are some capacity for measurement, calculation and reporting within MEMR for electricity production and within Mol with their recent initiative in industries' GHG reporting system. This proposal will use the existing building blocks and initiatives as the basis of the MRV system's design of governance aspects.

Box 1: Monitoring, Reporting and Verification (MRV)

MRV in this proposal is meant to be a system of monitoring, reporting, and verification of data in order to obtain the amount of GHG released of a certain period. MRV is defined to consist of monitoring, reporting, and verification of data both at installation level and at the institutional level. At installation level MRV deals with stipulations on rules and procedures of data measurements, such as fuel consumption, its type and amount, the related product output, archiving of data, calculations that may be needed, and reporting of data to the corresponding ministry. The ministry is responsible for monitoring the execution of the MRV performed at installation level. At installation level, MRV system will serve as "quality assurance" of data collection related GHG emissions. At the ministerial level or Directorate General level, MRV will be in the form of aggregation of the MRV implementation at installation level, assuring that installation level MRV is properly adhered to.

As MRV in this proposal is intended for emissions, it is substantially different with MRV of RAN-GRK, now under development by BAPPENAS and Ministry of Environment & Forestry, that will be for emissions reduction and conducted at activity level.

MRV in this proposal will support the sectoral obligation to calculate and report their emission under the Presidential Regulation No. 71/2011 of GHG Inventory and also inline with the energy conservation obligation stipulated in Government Regulation No. 70/2009. The results of these sectoral emissions calculation will be passed on to the Ministry of Environment & Forestry as a part of national GHG inventory works.

The design of governance aspects of an MRV system (i.e., the Institutional Track) will be done in close consultation with stakeholders and will include the following activities:

- determining the risks and incentives for misrepresenting data;
- identifying potential ways to address misrepresentation;

- discussing different options for oversight and verification;
- identifying data access, confidentiality and management issues;
- discussing incentives for compliance and sanctions for non-compliance;
- deciding on sanctions for non-compliance;
- selecting appropriate verification and data management approaches;
- capacity building for verifiers and oversight organizations;
- development of data management, storage and tracking systems;
- development of regulations to establish obligations, incentives and sanctions, and institutional mandates (may be accomplished in phases);
- revisions of regulations (if required).

Table 2. Description of works for design of governance aspects of an MRV system (the Institutional Track)

Objective	Rationale	Deliverable(s)	Description	Party(ies) Responsible For Action / Type of Action Required	Time Required for Completion (months)
Discuss, design and develop procedures on MRV in target areas, which will cover monitoring procedures and guidelines, validation and verification procedures and guidelines, incentives and disincentives, reporting period etc.	The institutional track is needed to ensure sound governance of MRV systems, which includes the rules that form the basis for implementation of the MRV system, the institutions that will manage and implement the MRV system (including aggregation of data received from individual installations), capacity building and awareness raising to prepare those that will have a role in implementing and operating MRV systems (e.g. data management at the installation level).	Procedures on MRV for target areas	Based on mapping of existing/to be developed MRV systems in Indonesia, development of agreed: <ul style="list-style-type: none"> • monitoring procedures and guidelines; • reporting period; • validation and verification requirements, procedures and guidelines; • incentives and disincentives; • others 	MEMR / Facilitation & regulatory actions in power sector Mol / Facilitation & regulatory actions in energy-intensive industries sector	12
Discuss, design and develop institutional set up for MRV in target areas, which includes institutions overseeing MRV and its mandates, scope of work and obligations, institutions for implementing validation and verification, data management etc.	The work in this track will be focused on the	Institutional set up for MRV for target areas	Based on mapping of existing/to be developed MRV systems in Indonesia, clarification of following for target areas: <ul style="list-style-type: none"> • institutions overseeing MRV and its mandates or scope of work or obligations; • institution for implementing validation and verification; 	MEMR / Facilitation & regulatory actions in power sector Mol / Facilitation & regulatory actions in energy-intensive industries sector	12

Objective	Rationale	Deliverable(s)	Description	Party(ies) Responsible For Action / Type of Action Required	Time Required for Completion (months)
	two target areas as well as the interaction with other MRV systems.		<ul style="list-style-type: none"> data management system (at the level of aggregated data management); others. 		
Increased capacity and awareness of MRV system stakeholders.		Capacity building and awareness raising activities	Activities for increasing capability and awareness related to: <ul style="list-style-type: none"> implementing monitoring, reporting and data management systems; conducting validation and verification; implementing the MRV system as a whole; others. 	MEMR / Facilitation & actions in power sector MoI / Facilitation & actions in energy-intensive industries sector	36

Component 3. Piloting an MRV system

At the installation level, the activities that need to be performed to arrive at measurable, reportable and verifiable emission reductions include: activities monitoring, calculation of emissions and emission reductions, data reporting and verification, and use of report.

The objectives of a monitoring system include the process of gathering GHG emissions monitoring data at various installation levels in the electricity generating systems, power plants and energy intensive industries in order to corroborate claimed mitigation achievements in both sectors. Data to be gathered includes: location of plants, installed capacity, plant efficiency, fuel used (types, density, net calorific values, consumption), CO₂ emission factors, etc.

Reporting, as a key input to verification, encompasses documentation requirements and specifications on report formatting, data submission etc. Verification, which will be done according to a verification standard, shall be conducted by accredited independent verifiers to ensure consistency and credibility of data.

This MRP proposes to develop and pilot MRV systems for:

- (1) electricity generation – with the JAMALI interconnected grid as the pilot area; and
- (2) energy intensive industries – with pulp & paper as pilot area.

To ensure that the MRV activities can be implemented properly, a governance and enforcement framework will be needed, which will also serve as quality assurance. However, the MRV system design will need to take into account the current condition and capacity of the target areas. This proposal describes the work in Component 2: Piloting an MRV System as works to build and/or improve MRV system's building blocks in installation level. The works is closely related to the design

of the MRV system's governance aspects, therefore the works in Component 3 will be closely coordinated with Component 2.

The piloting of an MRV system (i.e., the Piloting Track) will be done in close consultation with stakeholders and will include the following activities:

- mapping MRV activities at the installation level;
- comparing existing monitoring protocols in relation to identified purposes;
- determining the applicability of existing protocols and the need for adjustments;
- defining the type of data that need to be gathered by the MRV system;
- reviewing of data requirements;
- development and establishment of monitoring and reporting technical guidelines;
- development and establishment of a reporting template;
- consultations on monitoring guidelines and templates;
- revision of the reporting template (if necessary);
- capacity building at the installation level to facilitate the implementing of an installation level monitoring and reporting system;
- testing of MRV systems (in one or two steps);
- reviewing of MRV guidelines and practices;
- revision of MRV guidelines and templates;
- adaptation of installation level MRV systems.

Table 3. Description of works for piloting MRV system (the piloting track)

Objective	Rationale	Deliverable(s)	Description	Party(ies) Responsible for Action / Type of Action Required	Time Required for Completion (months)
Map MRV activities in Indonesia, including coverage, protocols, verification requirements, etc., especially within the target areas.	The piloting track is required to establish an MRV system at the installation level. Currently, there is no sector-wide MRV system on GHG emissions at the installation level, except for CDM projects. Therefore, in order to implement a market-based instrument, an MRV system that cover the selected sector at the	Map of MRV activities at the installation level in Indonesia.	Mapping MRV activities at the installation level in Indonesia on: <ul style="list-style-type: none"> • characteristics; • procedures; • methodologies; • reporting period; • data management; • validation and verification requirements and practices. 	MEMR / Facilitation in power sector MoI / Facilitation in energy-intensive industry sector	6
Determine applicable monitoring protocols for the pilot areas.		Monitoring protocols.	Monitoring protocols will be developed by comparing and assessing existing protocols, making them applicable to Indonesian conditions where necessary and by	MEMR / Facilitation in power sector MoI / Facilitation in energy-	6

Objective	Rationale	Deliverable(s)	Description	Party(ies) Responsible for Action / Type of Action Required	Time Required for Completion (months)
	installation level is required.		developing monitoring rules and templates.	intensive industry sector	
Establish data management systems at the installation level.	The piloting of the developed MRV system will be done in the JAMALI interconnected electricity system and in the pulp & paper production sector throughout Indonesia. These industries will be closely consulted during the piloting track and the results and lessons learned will be used to further refine the MRV system.	Data management system at the installation level.	Data management systems at the installation level are required to maintain system integrity. Internal and external procedures will be developed to achieve this.	MEMR / Facilitation in power sector Mol / Facilitation in energy-intensive industry sector	6
Piloting MRV systems in the power sector and pulp & paper sector.		GHG emission data and review on the MRV system at the installation level and at an aggregated data management level.	The piloting of MRV systems for the power and cement sectors will provide GHG emission data for each sector. The piloting activities will provide feedback on the MRV system, which will allow reviewing and modifying the system as may be needed.	MEMR / Facilitation & regulatory action in power sector Mol / Facilitation & regulatory action in energy-intensive industry sector	6

Component 4. Development of a Market-Based Instrument Framework

The most suitable policy option of market-based instrument for scaling-up GHG emissions reduction needs to be carefully identified and designed. This proposal will comprehensively assess all aspects that are required for a proper implementation of MBIs, which include, but are not limited to, policy options (e.g. carbon tax, emission trading, renewable energy and energy efficiency certificates, baseline and crediting, sectoral crediting, and crediting NAMAs), cost and benefit analysis of each policy option, sectors to be included in the MBI, institutional set-up and required capacity. This comprehensive analysis is expected to propose a “most preferred” MBI policy option ready for political consideration and decision-making.

There is no such comprehensive assessment of market options that enables the Government of Indonesia indicate what type of carbon mechanism(s) to pursue yet. However, considering that Indonesia already build up crediting experience through CDM, had signed the Joint Crediting Mechanism (JCM) with Japan, the readiness to implement crediting-type mechanism is relatively higher thus will likely not be the focus of PMR implementation phase. Also, the nature of core technical readiness pursued in this proposal is of “sectoral” type so that types of sector-level mechanism will likely receive more attention in the PMR implementation phase. Nevertheless, crediting-type mechanism will be at the minimum seen as a possible market element with international aspect since Article 6 of UNFCCC's Paris Agreement recognizes international transfer of mitigation outcomes and a supporting mechanism will be established under UNFCCC administration (which will facilitate NAMAs crediting).

This Component will pilot the selected MBI, presumably within the MRV pilot areas as they are expected to be the sectors with highest market-readiness then, and ensure that the lessons learned are identified and disseminated properly to facilitate further policy making process in the GoI and related stakeholders.

Table 4. Description of works for Development of a Market-Based Instrument Framework

Objective	Rationale	Deliverable(s)	Description	Party(ies) Responsible for Action / Type of Action Required	Time Required for Completion (months)
<ul style="list-style-type: none"> – Review of existing regulatory approach, MBI and their implementation for GHG mitigation in various countries; – Selection of MBI that is suitable for Indonesia; – Review various aspects that need to be considered for a proper implementation of MBI; – Selection of sector for pilot study; – Gap analysis in general and for selected sector toward implementation; – Concept design of suitable MBI for Indonesia; – Action plan and road map for MBI implementation, which includes development of required policies and institutional arrangements, and other required aspects for successful MBI implementation. 	<p>Negotiations on market mechanism to be regulated by UNFCCC are now ongoing under the Paris Agreement. At the national level, the emission reduction target under RAN-GRK becomes one of the main concerns of the government while at the same time it can pave the way towards a low carbon development path. The implementation of a market-based mechanisms is considered a realistic options for a cost-effective mitigation scenario and to meet emission reduction targets.</p> <p>Indonesia has gained worthwhile experiences to deal with these emerging schemes. However, future market mechanisms will need a new set of expertise, partially or wholly, and consequently Indonesia will need to undertake a lot of preparatory work.</p> <p>These preparatory steps need to start with a comprehensive assessment of Indonesia's national</p>	<p>A comprehensive assessment report on MBI options for Indonesia.</p>	<p>The report will at least include:</p> <ul style="list-style-type: none"> • Analysis on economic instruments and options to encourage mitigation actions including a review of existing market-based instruments in the world and the lessons learned. • Cost and benefit analysis of various market options and appropriateness of their implementation in various sub-sectors in Indonesia. • Analysis of possibilities to develop market-based instruments in consideration of ongoing UNFCCC negotiations on NMMs, Framework of Various Approaches, Joint Crediting Mechanism, and other possible mechanisms. • Analysis of gaps (policy, technical, institutional) to 	<p>CMEA / Facilitation; Approve TORs</p>	<p>18</p>

Objective	Rationale	Deliverable(s)	Description	Party(ies) Responsible for Action / Type of Action Required	Time Required for Completion (months)
	conditions contrasted with the market options. The assessment should use sound research and policy planning approaches combined with intensive stakeholder engagement. It is expected that the assessment will provide a solid base for further decision making and serve as a core preparatory component for market implementation in Indonesia.		implement market options. <ul style="list-style-type: none"> A road map toward the implementation of market-based instruments. 		
		Design of selected market-based instruments for the selected sector.	Based on the comprehensive study, the selected MBIs will be designed for implementation in e.g. the power or industry sector, with additional input from the work on MRV systems.	CMEA / Facilitation	8
		Draft policy(ies) required for the establishment and implementation of MBI.	Based on the MBI design, draft policies will be developed as basis for further policy discussions.	CMEA / Facilitation & regulatory action	6
		Piloting the market-based instrument in the selected sector.	Piloting of the designed instrument(s) prior to their full operation will be important to confirm the design and identify opportunities to improve the instrument. The pilot instrument should be implemented in an area with sound readiness, e.g. in the JAMALI interconnected electricity system and in the cement industry.	CMEA / Facilitation; Operation	18

Component 5. Organization, Communication, Consultation and Engagement

The original Indonesian MRP stated that the planned work will be organized using the following main institutions: a Project Steering Committee, Project Implementation Unit (could be more than one PIU set up for the different tasks), a Secretariat, and an Expert Group as shown in Figure 2. This component will ensure that an overarching organization is available and project results can be beneficial nationally beyond sector boundaries. Further organization arrangement in this proposal is described in Section VII. Governance and Management Arrangements.

Table 5. Description of works for organization, communication, consultation and engagement

Objective	Rationale	Deliverable(s)	Description	Party(ies) Responsible For Action / Type of Action Required	Time Required for Completion (months)
<ul style="list-style-type: none"> – To integrate all activities in the MRP implementation phase into a seamless program toward MBI implementation. – To communicate results to stakeholders. – To engage stakeholders during all stages of the implementation phase of the MRP. 	<p>The implementation of all activities will involve stakeholders, not only from the government, but also from the private sector and from civil society organizations to provide input into all activities starting from planning to design and up to implementation. Proper communication and coordination with the stakeholders need to be ensured.</p> <p>Included in this coordination and communication role will be coordination of inputs, awareness raising and capacity building involving relevant stakeholders.</p>	PMR implementation report.	The deliverables contain briefing papers, newsletters, etc. to communicate activities and results achieved by the PMR implementation phase to relevant stakeholders.	UNDP / Project management & facilitation	48
		Stakeholder consultations and capacity building reports.	Stakeholder consultations need to be conducted to provide input into the design and implementation of the MBI. Capacity building exercises will also need to be conducted to ensure that stakeholders have the same understanding of the issues so that they can provide adequate input.	UNDP / Project management & facilitation	48

Resources and Partnership

PMR Partnership Assembly decided in its 3rd meeting in Cologne, May 28-29, 2012, that funding support for implementing countries' proposal is using package-approach categorized according to a set of criteria related to the level of development and commitment toward market-based instrument implementation.

Below are the three categories of funding size and its simplified traits:

- USD 3 million (Minimum Amount): support on core technical and institutional readiness
- USD 5 million: support on technical and institutional readiness
- USD 8 million: support on advanced technical and institutional readiness

In the PMR's 7th Partnership Assembly meeting in Marrakesh, October 22-23, 2013, Indonesia (represented by the National Council on Climate Change as the leading agency during MRP preparation) presented its MRP and acquired the Assembly's endorsement and grant allocation to start its PMR activities. Indonesian MRP is categorized as seeking support to increase core technical and institutional readiness, i.e., to build and improve capacity in MBI-related technical and policy analysis. The current agreement as stated in the Transfer Agreement between UNDP and the WB-PMR Secretariat, the grant allocation for Indonesia is USD 3,150,000 (see Table 6 below).

Table 6. Allocated Fund for PMR Indonesia Implementation Phase

Activities	Allocated PMR Implementation Phase Fund (USD)
<i>Component 1.</i> Profiling emissions in the power and industry	700,000
<i>Component 2.</i> Design of governance aspects of an MRV system (Governance Track)	500,000
<i>Component 3.</i> Piloting an MRV system (Piloting Track)	650,000
<i>Component 4.</i> Development of a market-based instrument framework	1,000,000
<i>Component 5.</i> Organization, communication, consultation and engagement	300,000
Total	3,150,000

The PMR Implementation Phase will work in close coordination with key GoI partners (CMEA, MEMR, MoI, MoF, MoEF) and non-government stakeholders as National Electricity Company (PLN), Indonesian Electrical Power Society (MKI), Indonesian Renewable Energy Society (METI), Indonesian Pulp and Paper Association (APKI) and others.

Since market-based instrument (hence, its readiness) is a tool to scale up mitigation action, sufficient know-how about MBI as a policy tool should be possessed by the Government prior to its utilization. Relevant stakeholders should know the characteristics and know-how to design and operate an effective MBI. An effective MBI would also require positive interaction and harmonization with existing policies/programs/plans, especially those relating to MRV issues. The following are some works/projects that have been done in the past and on going projects carried out by the Government relating to MRV activities:

1. The Ministry of Environment and Forestry is developing the Indonesia' MRV system. Besides utilizing the Government-owned budget, this works have been significantly supported by several bilateral and multilateral organizations, including the Indonesia-Norway bilateral cooperation in REDD+ project, the UN-REDD Programme, the World Bank Forest Carbon Partnership Facility (FCPF), the Indonesia-Australia bilateral cooperation through Indonesian National Carbon Accounting System (INCAS) and the Indonesia-Australia Forest Carbon Partnership (IAFCP);
2. In 2011, the Planning Agency (Bappenas) initiated the National GHG Emission Reduction (RAN-GRK), which is intended to reduce the GHG emission at national and provincial levels (RAD-GRK). The RAN and RAD GRK have recently been reviewed to come up with the more actual figure of national GHG baseline.

3. CMEA, in cooperation with the Government of Japan has developing the Join Crediting Mechanism (JCM). The project has been implementing since three years ago, aimed at transferring low carbon technology leading to mitigation action and contributing to sustainable development in developing countries, developing MRV methodologies, and introducing the carbon credit scheme, which can be accounted for mitigation action in both countries.

With respect to contribution of this project to mitigation actions in Indonesia, Figure 3 below illustrate how the project results and existing/upcoming policies and initiatives interact to build the market readiness with the objective to scale-up mitigation actions. This proposal considers stakeholders understanding of MBI options as the foundation to achieve the project results thus will, from the very start, work to promote the understanding of MBI and forge the national partnership for market readiness.

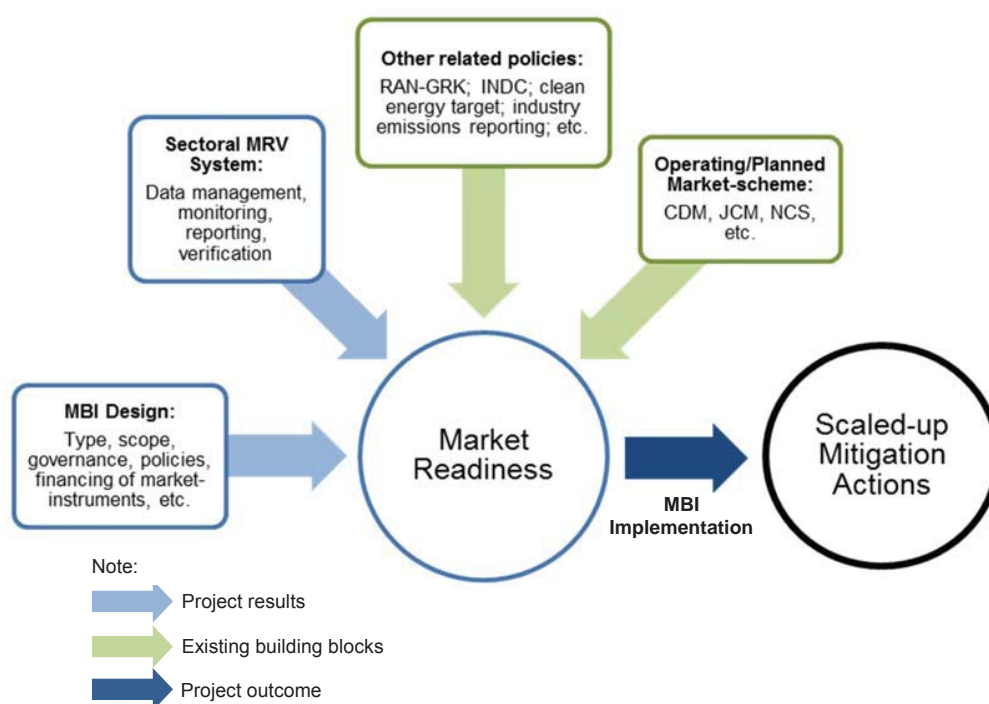


Figure 3. Theory of Change for PMR Implementation Phase for Scaled-up Mitigation Action

By enriching the existing related policies and experiences from operating/planned market-schemes with sectoral MRV system and a working MBI design, the project will support Indonesia to develop its market readiness. The readiness is a prerequisite to implement the MBI. If appropriately adopted, the MBI implementation will enable Indonesia to scaled-up its mitigation actions, support achievement of mitigation target under the UNFCCC, and boost the shift to low-carbon development pathway.

Risks and Assumptions

Perhaps the most important risks to the project are sustainability/replicability and coordination. There is a risk that results produced by project will not be sustained beyond the project lifetime. There is also a risk that project results will not be scaled up. This risk is largely due to political commitment to apply policy reforms. Given that these results emerged through external financing

and support, key project results must be sufficiently institutionalized if the larger outcomes are to be sustainable. However, there may be insufficient commitment to implement project recommendations for post-project activities. A main reason for this is that they may be relatively low commitment to institutionalize some project result in the absence of new external financing. For this reason, the project includes specific outputs on communicating results to stakeholders and engaging stakeholders during all stages of the MRP Implementation Phase. The activities under those outputs will demonstrate the value of the project which may strengthen the Government's appreciation of the results and recommendations, and therefore make it more likely that the Government will support the approval of results and recommendations for post-project implementation. The activities of this project were strategically selected and designed to promote sustainability and replicability. Project activities call for creating knowledge-dissemination and policy tools for mainstreaming efforts into overall national strategies and plans.

Given the multi-faceted nature of the project, engagement of a multitude of stakeholders is required. There is a real risk that coordination will be challenging. To mitigate this risk, the project includes several approaches. During the proposal formulation, consultations were organized with key stakeholders to increase their understanding of the project and establish networks of collaboration. Once implementation of the project begins, key stakeholders will meet on a regular basis so that they are aware of the progress of the project and contribute to the project. Additionally, the project has select activities to strengthen institutional mechanisms for improved coordination and collaboration. These include negotiating best consultative processes and memoranda of understanding.

Related to these risks is an equally important risk: internal resistance to change. This is a natural human condition and reflects people's comfort with known subjects, policies and procedures. However, the basis for this project is that these knowledge-base, policies and procedures could be improved. The activities of this project were strategically selected and designed to take into account these existing "business-as-usual" approaches, and to facilitate a process by they could be improved incrementally. Most, if not all, of the activities under this project call for such incremental modifications to be made. These will not be dictated by external expertise, but rather facilitated by experts and independent advisors so that stakeholders discuss and come to consensus agreements themselves. This approach serves to strengthen the ownership and legitimacy of the decisions reached in these stakeholder consultations, workshops, or other project exercises. For this reason, the project makes the implicit assumption that stakeholders will give the benefit of the doubt to the design of the project activities, be open to new and opposing perspectives, and actively participate in the project to negotiate issues and recommendations towards a consensus.

Related to this risk is a risk is that political elections and changes in government structure could result in a change in leadership among the key government bodies, with implications for the loss of institutional memory. Notwithstanding, changes in political leadership tend to reverberate vertically, with heads of ministries replaced as a result of nominations from parliamentary factions, who in turn may replace heads of technical or administrative departments.

To mitigate these risks, a couple of fact should be made clear to all stakeholder in the earliest chance possible. First is the fact that Indonesian decision nor commitment to implement market-based instrument is not demanded by this project. However, the project's results will make the Government more comfortable is making the decision. In the case that MBI couldn't be implemented within the project's period, the resulted sectoral MRV system is strongly beneficial to develop any effective climate mitigation policy; thus is deemed as a no-regret measure. The second fact is that this project won't bring additional burden to private stakeholders and its line ministries. Sectoral MRV is already mandated by Presidential Regulation No. 71/2011 cl. 8 about National GHG Inventory and this project will assist in developing and/or improving the MRV system.

A final, minimal risk associated with the project is risk of a lack of ownership and leadership. Since the project covers multiple focal areas (i.e., electricity generation, industry, and climate change) that are mandated by multiple ministries, there is a risk that these ministries will be engaged but no agency will take a leadership role. By design, the lead agency is the Coordinating Ministry of Economic Affairs which is the traditional coordinating ministry to the key ministries involved. To increase other ministries' ownership of the project, the project design includes measures to promote ownership.

Project activities will be informed by the best available expertise, facilitated by experts and independent advisors in such a way that stakeholders discuss and come to consensus agreements themselves. This approach helps strengthen the ownership and legitimacy of the decisions reached in stakeholder consultations, workshops, or other project exercises.

Stakeholder Engagement

Project ownership was initially developed during the conceptualization of the project at the stage of the MRP preparation, and reaffirmed in workshop shortly after the MRP is endorsed by the PMR's Partnership Assembly. However, in the intervening period between the MRP endorsement and development of the project document, a number of institutional changes contributed to the need to modify the project strategy, e.g., the disbandment of the National Council on Climate Change and the merger of the Ministry of Environment and the Ministry of Forestry.

For this reason, stakeholder consultations during the development of the project were important to managing the risk of the potential loss of national ownership and sufficient comprehension of the project's strategic goals. Notwithstanding the stakeholder engagement of the project development phase, the long-term legitimacy, relevance, and sustainability of the project and its expected outcomes will require on-going and broad-based stakeholder engagement. Project-based decisions must be negotiated in a way that also ensure that all stakeholders receive satisfactory levels of benefits and equity, which are also critical to sustainability. The project will also undertake targeted awareness-raising activities to secure high-level commitment from key decision-makers and foster a sufficient number of project champions to sustain project outcomes following project completion.

South-South and Triangular Cooperation (SSC/TrC)

The PMR is a platform for technical discussions and knowledge creation, South-South and North-South exchanges, and collective innovation on new market instruments. It is therefore aimed at enhancing and promoting South-South and North-South Cooperation. The PMR is also a global partnership of developed and developing countries that provides funding and technical assistance for the collective innovation and piloting of market-based instruments for GHG emissions reduction. It brings together more than 30 countries and sub-national jurisdictions. Among the developing countries involved are: Brazil, China, India, Vietnam, Morocco, Peru, and Tunisia. Peru and Tunisia, in particular, are the two countries implemented the PMR project in cooperation with UNDP.

The PMR organizes a Partnership Assembly (PA) twice a year. In the PA meeting, member countries are represented by the PMR focal points, and may also accompanied by the project's representatives. During the meeting, countries report to the PA on the status and progress of the Market Readiness Proposals. The PA also markets place to listen and learn best experience and knowledge sharing among the member's countries. PMR, therefore, provides a platform for technical discussions of such instruments to spur innovation and support implementation.

The PMR is country-led and builds on countries' own mitigation priorities. Focus is placed on improving a country's technical and institutional capacity for using market instruments to scale up mitigation efforts. Market instruments, such as domestic emissions trading and scaled-up crediting mechanisms, will be targeted for pilot efforts. Ensuring the essential readiness components for any of these instruments—such as data management, MRV systems and the creation of policy and regulatory framework

Knowledge, Sustainability and Scaling Up

Knowledge management is a key factor to the sustainability and scaling up of project results. The knowledge base about MBI options, its possible application in Indonesia, key considerations, etc. will be developed along the project period and will serve as the foundation to reach consensus and/or policy development. The knowledge base will be developed using participatory approach in a partnership setting instead of a one-way, tutoring style. Thus, it became more important to ensure that the knowledge development processes and results are well documented so that it can be easily accessible and traceable.

Project activities will include studies, workshops, trainings, expert meetings and stakeholder consultations. From its activities, the project will derive and document findings, needs, lessons learned and recommendations. A web-portal hosted within the CMEA website will be developed to store the knowledge products in a structured way, provide international references and make it easily accessible by stakeholders and the general public. To leverage the project's results visibility to general public, social media will be used as appropriate and press releases will be made along with the implementation of project's major events and completion of milestones.

Scaling up of the project results could be done simply by extending the pilot MRV and MBI to national coverage. As decisions to enable scaling up will be political decisions, the project will strive to ensure that the decision makers are well informed about the project's results. In addition to the executives of related ministries/agencies, the parliament's factions will be a target for information dissemination. The existence of Green Economy Caucus in Indonesian Parliament is a positive development which can be used as an entry to broaden the project's visibility to the parliament to the extent possible.

IV. PROJECT MANAGEMENT

Cost Efficiency and Effectiveness

Cost efficiency will be attained by leveraging existing resources and structures such as Government bodies and regulations, industry organisations and structures. A prime example is the establishment of an MRV system where the project intends to build upon existing sector measurement and reporting protocols. The project will also assess various GHG abatement potentials and compare by cost of abatement/unit (CO₂e), and design the MRV, MBI activities based on the recommendations from the GHG emission abatement studies.

A reliable MRV system is a pre-requisite for developing an effective market-based approach policy as well as other climate change mitigation policies. In addition, MRV allows Indonesia to obtain data from power generation and energy-intensive industries facilitating increased efficiency of both sectors. In this sense the work on MRV is a no-regret measure.

Project Management

The Direct Implementation Modality will be applied for implementation of this project. This project complies to some extent with the policies, procedures and practices of the United Nations Security Management System (UNSMS), and as such, is consistent with UNDP's Programme and Operations Policies and Procedures, social and environmental sustainability through application of the UNDP Social and Environmental Standards. The Indonesia UNDP country office has extensive experience with the DIM modality, including the 141million USD tsunami project and the REDD+ project. The project office will be based in Jakarta, situated near the Coordinating Ministry of Economic Affairs and in close proximity with the UNDP Indonesia country office.

V. RESULTS FRAMEWORK²

UNPDF/CPD 2016-2020 Outcome:	
Outcome 3: By 2020, Indonesia is sustainably managing its natural resources, on land and at sea, with an increased resilience to the effects of climate change, disaster and other shocks.	
UNPDF/CPD 2016-2020 Outcome indicators, including baseline and targets:	
Indicator 3.5: % reduction in greenhouse gas emissions against 'Business as Usual' trajectory in 2020	
Baseline: 15.5% (2014); Target: 26.6%	
Applicable Output(s) from the UNDP Strategic Plan:	
Output 1.4. Scaled up action on climate change adaptation and mitigation across sectors which is funded and implemented.	
Project title and Atlas Project Number: Market Readiness Proposal: Indonesia Identifying Suitable Market Instruments. Atlas Project Number: 99936	

EXPECTED OUTPUTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)						DATA COLLECTION METHODS & RISKS
			Value	Year	2016	2017	2018	2019	2020	FINAL	
Output 1 GHG emissions profiles in the power and energy-intensive	1.1. Reports on GHG Abatement cost curve analysis of power generation and energy intensive	Coordinating Ministry on Economic Affairs	The National Council on Climate Change developed a national GHG abatement cost curve covering,	2014	TOR developed	Company(ies) hired	1 (one) comprehensive report on GHG emissions profile for			1 (one) comprehensive report on GHG emissions profile for power and energy intensive	Confirm issuance of report with CMEA. Risks: n/a

² UNDP publishes its project information (indicators, baselines, targets and results) to meet the International Aid Transparency Initiative (IATI) standards. Make sure that indicators are S.M.A.R.T. (Specific, Measurable, Attainable, Relevant and Time-bound), provide accurate baselines and targets underpinned by reliable evidence and data, and avoid acronyms so that external audience clearly understand the results of the project.

industry sectors.	industries		inter alia, power and cement sectors.				power and energy intensive industry sectors and its GHG abatement cost curves			industry sectors and its GHG abatement cost curves	
Output 2 Design of MRV framework for power and energy-intensive industries	2.1. Rules, regulations, and procedures on MRV	Ministry of Energy and Mineral Resources; Ministry of Industry	Presidential Decree No. 71/2011 obliged sectoral MRV; Draft Ministry of Industry regulation on GHG Emissions Reporting	2011 2015	TOR developed	Draft regulations on sectoral MRV for power and energy-intensive industries;	Guidelines and standard procedures for implementing the MRV systems for power and energy-intensive industries.			Draft regulations, guidelines and standard procedures for implementing the MRV systems for power and energy-intensive industries.	Confirm issuance of draft regulations, guidelines and standard procedures with MEMR and Mol Risks: n/a
	2. 2. Institutional set up for MRV	Ministry of Energy and Mineral Resources; Ministry of Industry			TOR developed	Draft regulations on sectoral MRV for power and energy-intensive industries;	Institutional guidelines and standard procedures for implementing the MRV systems for power and energy-intensive industries.			Draft institutional regulations, guidelines and standard procedures for implementing the MRV systems for power and energy-intensive industries.	Confirm issuance of draft regulations, guidelines and standard procedures with MEMR and Mol Risks: n/a

	3.4. GHG emission data and review on the MRV system at the installation level and at an aggregated data management level.	Ministry of Energy and Mineral Resources; Ministry of Industry	No sectoral GHG emissions data are available for public; No review on MRV system at the installation level as it's not yet established.	2016				2 (two) MRV system pilots in Jamali power plants and pulp & paper industry is started.	GHG emission data and review on the MRV system at the installation level pilots and at an aggregated data management level is existed.	2 (two) MRV system pilots in Jamali power plants and pulp & paper industry is started. GHG emission data and review on the MRV system at the installation level pilots and at an aggregated data management level is existed.	Confirmation of data management system existence from MEMR and MOI. Site visit and interview with participating entities. Risks: n/a
Output 4 Development of a market-based instrument framework	4.1. Comprehensive assessment report on MBI options for Indonesia	Coordinating Ministry of Economic Affairs	Ministry of Finance released an Australia-supported Green Paper which recommends economic and fiscal policy strategies for climate change mitigation in Indonesia. Carbon pricing in form of carbon tax/levy is the recommended MBI for energy sector in that Green Paper.	2009	TOR developed	Experts/company hired	A comprehensive report on MBI options for Indonesia, including identified MBI options, the expected effects and its feasibility to implement in Indonesia.			A comprehensive report on MBI options for Indonesia, including identified MBI options, the expected effects and its feasibility to implement in Indonesia.	Confirmation of report issuance from CMEA Risks: n/a
	4.2. Design of selected market-based	Coordinating Ministry of Economic	There was a comprehensive design of a	2015	TOR developed	Experts/company hired		A comprehensive design		A comprehensive design for an MBI with its definition,	Confirmation of report issuance from CMEA

	instruments for the selected sector.	Affairs	domestic crediting mechanism developed by the late National Council on Climate Change (DNPI). The crediting mechanism was called Nusantara Carbon Scheme and was in preparation to do piloting when DNPI is disbanded. The NCS is not pursued anymore by the Gol and currently there is no other MBI design existed in Indonesia.					for an MBI with its definition, scope and coverage agreed by the stakeholders, including necessary procedures and guidelines enabling the MBI to be immediately operational.	scope and coverage agreed by the stakeholders, including necessary procedures and guidelines enabling the MBI to be immediately operational.	Risks: n/a
	4.3. Draft policy(ies) required for the establishment and implementation of MBI.	Coordinating Ministry of Economic Affairs	Currently there is no policy that establish an MBI in Indonesia.	2016	TOR developed	Experts/company hired	Drafts of required policies to establish the designed MBI.			Confirmation of report issuance from CMEA Risks: n/a
	4.4. Piloting the market-based instrument in the selected sector.	Coordinating Ministry of Economic Affairs	Currently there is no MBI in piloting stage in Indonesia.	2016	TOR developed	Experts/company hired	Piloting of the selected MBI is started. The pilot MBI should be implement	The MBI design is confirmed and opportunities of improvement are identified.	Piloting of the selected MBI is started and the lessons learned are gathered.	Confirmation of report issuance from CMEA Interview with the MBI operator. Risks: n/a

									ed in an area with sound readiness, e.g. in the MRV-ed pilot areas.	1 (one) briefing paper on MBI principles; 4 (four) quarterly newsletters on MBI and PMR activities; 1 (one) booklet on MBI principles; Other PMR activities' information materials.	1 (one) PMR lessons-learned synthesis; 4 (four) quarterly newsletters on MBI and PMR activities; Other PMR activities' information materials.	3 (three) briefing papers, quarterly newsletters, 5 (five) booklets on MBI principles and a lessons-learned synthesis alongside other activities' information material.	Confirmation of publication issuance from CMEA Risks: n/a
Output 5 Increased public awareness and knowledge about MBI	5.1. Market readiness communication and information tool	Coordinating Ministry of Economic Affairs	One publication in carbon trading basics were issued by DNPI in 2013 and currently there is no other local reference for carbon market and MBI.	2013	Workplan developed	1 (one) briefing paper on MBI principles; 4 (four) quarterly newsletters on MBI and PMR activities; 2 (two) booklets on MBI principles; Other PMR activities' information materials.	1 (one) briefing paper on MBI principles; 4 (four) quarterly newsletters on MBI and PMR activities; 2 (two) booklets on MBI principles; Other PMR activities' information materials.						Event management reports from CMEA Risks: n/a
	5.2. Stakeholders awareness and capacity of MBI options for climate change mitigation.	Coordinating Ministry of Economic Affairs	Awareness and capacity of MBI options are generally low.	2016	Workplan developed	1 (one) training workshop that include south-to-south cooperation and facilitate	1 (one) training workshop that include south-to-south cooperation and facilitate					2 (two) training workshops that include south-to-south cooperation and facilitate information exchange from fellow PMR implementing countries.	

VI. MONITORING AND EVALUATION

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans: [Note: *monitoring and evaluation plans should be adapted to project context, as needed*]

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management.		
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.		
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.		
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to	Annually	Areas of strength and weakness will be reviewed by project management and used to		

	inform management decision making to improve the project.		inform decisions to improve project performance.		
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.		
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)			
Project Review (Project Board)	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of-project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	Specify frequency (i.e., at least annually)	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.		

VI. MULTI-YEAR WORK PLAN ³⁴

All anticipated programmatic and operational costs to support the project, including development effectiveness and implementation support arrangements, need to be identified, estimated and fully costed in the project budget under the relevant output(s). This includes activities that directly support the project, such as communication, human resources, procurement, finance, audit, policy advisory, quality assurance, reporting, management, etc. All services which are directly related to the project need to be disclosed transparently in the project document.

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year				RESPONSIBLE PARTY	PLANNED BUDGET		
		Y1	Y2	Y3	Y4		Funding Source	Budget Description	Amount
Output 1 GHG emissions profiles in the power and energy-intensive industry sectors.	1.1 Development of comprehensive carbon abatement cost curve in the two target areas	450,000				UNDP; MEMR; Mol	PMR / World Bank	Indonesian MRP Implementation	450,000
	1.2 Development of calculated / reviewed / estimated sectoral baseline emission of the target areas	250,000				UNDP; MEMR; Mol	PMR / World Bank	Indonesian MRP Implementation	250,000
	MONITORING								
	Sub-Total for Component 1								700,000
	2.1 Development of rules and regulations on MRV		150,000			UNDP; MEMR; Mol	PMR / World Bank	Indonesian MRP Implementation	150,000
Output 2									

³ Cost definitions and classifications for programme and development effectiveness costs to be charged to the project are defined in the Executive Board decision DP/2010/32

⁴ Changes to a project budget affecting the scope (outputs), completion date, or total estimated project costs require a formal budget revision that must be signed by the project board. In other cases, the UNDP programme manager alone may sign the revision provided the other signatories have no objection. This procedure may be applied for example when the purpose of the revision is only to re-phase activities among years.

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year				RESPONSIBLE PARTY	PLANNED BUDGET		
		Y1	Y2	Y3	Y4		Funding Source	Budget Description	Amount
Design of MRV framework for power and energy-intensive industries									
	2.2 Development of institutional set up for MRV		200,000			UNDP; MEMR; MoI	PMR / World Bank	Indonesian MRP Implementation	100,000
	2.3 Capacity building and awareness raising		50,000	50,000	50,000	UNDP; MEMR; MoI	PMR / World Bank	Indonesian MRP Implementation	150,000
	MONITORING								
Sub-Total for Component 2									400,000
Output 3 Piloting the MRV systems	3.1 Mapping of MRV activities at the installation level in Indonesia		100,000				PMR / World Bank	Indonesian MRP Implementation	100,000
	3.2 Development of monitoring protocols			200,000			PMR / World Bank	Indonesian MRP Implementation	150,000

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year				RESPONSIBLE PARTY	PLANNED BUDGET		
		Y1	Y2	Y3	Y4		Funding Source	Budget Description	Amount
Output 4 Development of a market-based instrument framework	3.3 Development of data management system at the installation level			250,000			PMR / World Bank	Indonesian MRP Implementation	150,000
	3.4 Development of GHG emission data and review on MRV system at installation level and at aggregated data management level			100,000			PMR / World Bank	Indonesian MRP Implementation	100,000
	MONITORING								
	Sub-Total for Component 3						500,000		
	4.1 Development of a comprehensive assessment report on MBI options for Indonesia	150,000	100,000				PMR / World Bank	Indonesian MRP Implementation	250,000
	4.2 Design development of selected market-based instrument for selected sector		100,000	100,000			PMR / World Bank	Indonesian MRP Implementation	142,778
	4.3 Development of draft policy(ies) required for the establishment and implementation of MBI			250,000			PMR / World Bank	Indonesian MRP Implementation	150,000

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year				RESPONSIBLE PARTY	PLANNED BUDGET		
		Y1	Y2	Y3	Y4		Funding Source	Budget Description	Amount
Output 5 Increased public awareness and knowledge about MBI									
	4.4 Piloting the market-based instrument in the selected sector			100,000	200,000		PMR / World Bank	Indonesian MRP Implementation	300,000
	MONITORING								
	Sub-Total for Component 4						842,778		
	5.1 Market readiness communication and information tool	25,000	25,000	25,000	25,000		PMR / World Bank	Indonesian MRP Implementation	100,000
	5.2 Stakeholders awareness and capacity of MBI options for climate change mitigation.	35,000	35,000	35,000	35,000		PMR / World Bank	Indonesian MRP Implementation	140,000
	5.3. Stakeholders involvement in MBI discussion.	7,500	7,500	7,500	7,500		PMR / World Bank	Indonesian MRP Implementation	30,000
	5.4 Impact analysis to gender mainstreaming and marginalized groups	15,000			15,000		PMR / World Bank	Indonesian MRP Implementation	30,000

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year				RESPONSIBLE PARTY	PLANNED BUDGET		
		Y1	Y2	Y3	Y4		Funding Source	Budget Description	Amount
	Sub-Total for Component 5								300,000
Evaluation <i>(as relevant)</i>	MONITORING & EVALUATION								35,000
General Management Support									222,222
Supervision expenses									150,000
TOTAL									3,150,000

VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

As requested by the Coordinating Ministry of Economic Affairs (CMEA), the project will be implemented under the Direct Implementation Modality (DIM), and will be led by National Project Director (NPD). She/he will be overseeing the implementation of the project. In this arrangement the Deputy Country Director of UNDP will serve as the NPD. The NPD can appoint officer in charge as required to represent the NPD in the Project Board. The implementation arrangements will follow the standard UNDP project management guidelines. For the preparation purposes, it is agreed that the costs for any activity related to the project implementation conducted prior to signing of the Project Document will be borne by the Project.

Project Board

A Project Board (PB) will be established to provide an oversight of the project's execution and its activities, including recommendations for approval of project/budget plans and its revisions. In order to ensure UNDP's ultimate accountability, the PB decisions should be made in accordance to standards that shall ensure management for development results, best value for money, fairness, integrity, transparency and effective international competition. UNDP will play the role of providing guidance regarding the technical feasibility of the project.

The PB is chaired by NPD, and comprised of Deputy Minister for Energy, Natural Resources and Environmental Management of CMEA (*or appointed representative*), and a representative from PMR Secretariat. The PB will meet at least once a year and/or anytime deemed necessary. If required, PB meeting could include/invite relevant Ministries/Agencies.

Project Assurance

Project Assurance (PA) is the responsibility of the PB members, delegated to the Programme Manager. The PA supports the PB by carrying out objective and independent project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed.

Project Management Unit □

A Project Management Unit (PMU) will be established by the NPD to manage project implementation as mandated by the PB. The PMU will be supervised by CMEA and UNDP, and will be responsible for the day-to-day operational and financial activities. The PMU will be led by a National Project Manager (NPM), and will report to NPD and CMEA in accordance with UNDP rules and regulations. Services provided by the PMU include, inter alia, support to recruitment and contracting of project management and technical staff; procurement of goods and services for project inputs; developing Annual Work Plans; support for budget and financial management; etc.

The PMU will provide support the Working Groups (WGs) in the formulation of Terms of Reference, and performing the necessary internal control functions to ensure that activities are carried out as per rules and guidelines. □

The PMU will also be responsible for translating work activities prioritized by the WGs into Annual Work Plans covering all activities, inputs and outputs under the project. Quarterly Progress Reports will be prepared on outputs and detailed expenditures. The AWP will be accompanied by a budget table and the clarification of specific procurement and recruitment activities to be undertaken by either the PMU or UNDP. The AWP and budget will be reviewed and agreed by the PB and signed by NPD. The PMU houses all operational staff including a coordinator who oversees and manages all of the WGs. The number of personnel in PMU will be decided as needed by the NPD, in consultation with CMEA.

The PMU will consist of:

National Project Manager (NPM)

Reporting directly to the NPD, the NPM is responsible for the day-to-day management of the PMU including supervising staffs and personnel. The NPM is responsible for preparing project work plan and accountable for the achievement of outputs and targets as approved by the project board. The NPM is also responsible for ensuring clear and strategic support line between PMU and the WGs.

Working Group Coordinator

The Working Group Coordinator (WGC) will provide direction and guidance and manage all of the WGs in terms of strategy to achieve the agreed targeted outputs. The WGC will be supported by Monitoring, Reporting, and Communication Officers, and also coordinate them to ensure that all results of the project's achievements are reported and communicated. Additionally, the WGC will organize production of knowledge management out of the project implementation, and take advantage of lessons learned for wider application at the national level. WGC reports to the NPM on daily and regular basis.

Project Associate

The Project Associate will be responsible for ensuring provision of project inputs to the WGs as identified in operational needs of the project; allocating technical assistance resources as well as undertake day-to-day management tasks. Throughout the implementation of the project, the Project Associate will also liaise closely with UNDP, NPM, and WGs, to support the optimal allocation of resources based on identified priority activities.

Finance Assistant

The Finance Assistance will be responsible to advise NPM on financial resources status (actual expenditures vs. budget) according to the work plan and ensure all funds are spent in line with approved work plan. Other key tasks include reporting of expenses, preparing for audit, dealing with cash advance requests, and ensuring solid fiduciary management of the project.

Procurement Assistant

The Procurement Assistant will be responsible for overall procurement support/functions of the project according to the approved procurement plan and ensure all of the procurement process is implemented in line with project operations, UNDP policies and procedures. Other key tasks include reporting of procurement status and keeping procurement records for audit preparations, and generally ensuring solid implementation for the project.

Administrative Assistant

The Administrative Assistant will be responsible for providing overall day-to-day office and administrative supports, asset management, preparing for audit, dealing with external parties, and generally ensuring smooth implementation of the project. Other key tasks include secretarial functions and other administrative support.

Monitoring and Reporting Officer

A solid Monitoring and Reporting (M&R) system is a key component for any successful project implementation, and determines how the project will be able to explain and showcase to external stakeholders on the progress made, achievement and impacts delivered. For the said objectives, an M&R officer will, in consultation with the NPM and WGC of each WG, follow a Result and Resource Framework and Activity Log Frame with quantifiable indicators, baselines and targets. In

some instances, the M&R officer may advise NPM and WGC on required survey and field visits to establish a baseline or data collection which may not in existence, a crucial task in enabling an objective measurement of the project's impacts.

The PMU will be operationalized in Jakarta and a physical project office will be established in government implementing partner's premise or hiring an office building close to the Ministry.

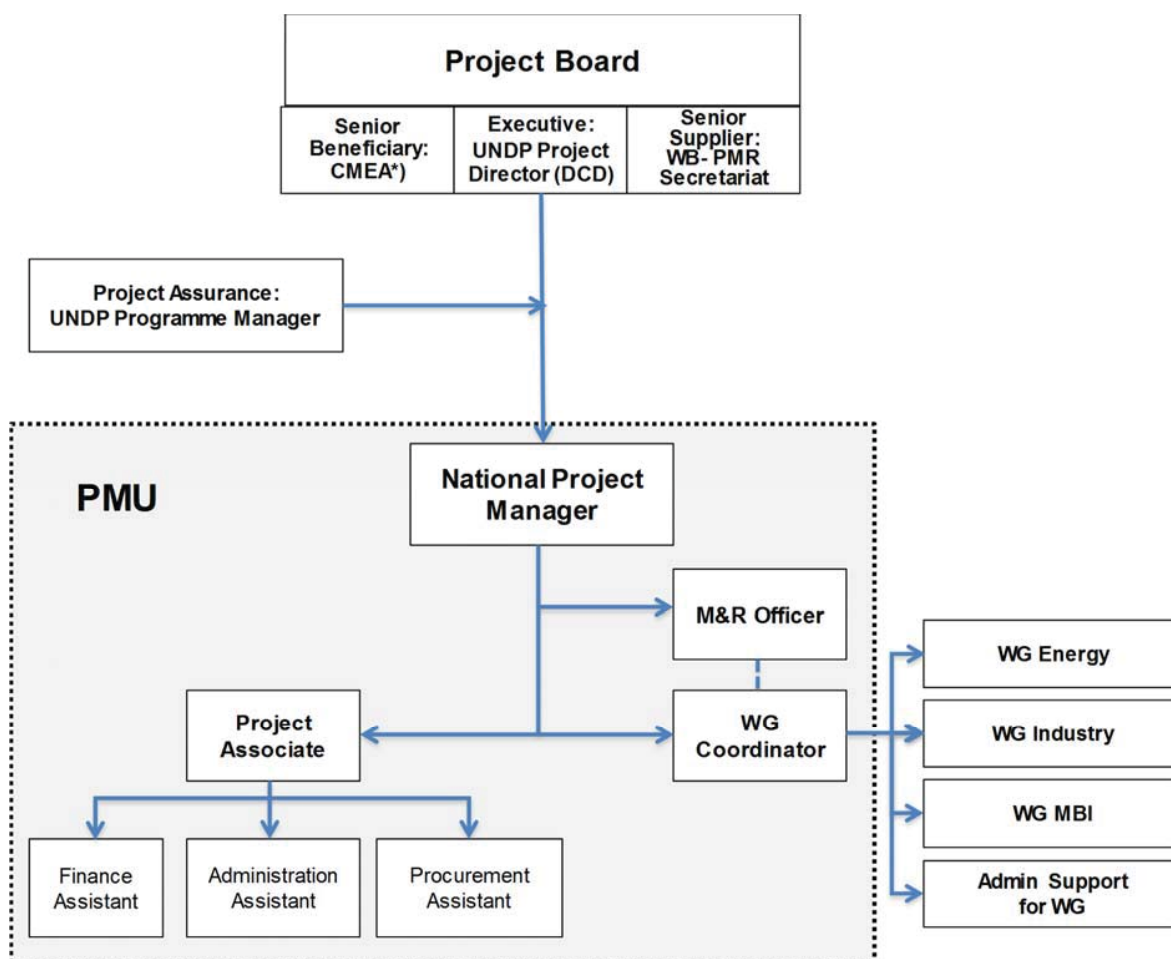


Figure 4. Project's Organization Chart

Note:

*) Coordinating Ministry of Economic Affairs (CMEA) as Senior Beneficiary will also have a Steering Committee outside the Project Structure on Carbon Market Readiness which will have members such as Ministry of Finance, Ministry of Environment & Forestry, Ministry of Energy, Ministry of Development Planning, and Ministry of Industry. The progress and project update will be shared by CMEA with the Steering Committee members. The role of the Steering Committee is to provide high level guidance on the project as well as link with related initiative on Carbon Market.

IX. LEGAL CONTEXT AND RISK MANAGEMENT

LEGAL CONTEXT STANDARD CLAUSES

The project document shall be the instrument envisaged and defined in the Supplemental Provisions to the Project Document, attached hereto and forming an integral part hereof, as “the Project Document”.

The project will be implemented directly by UNDP Country Office in Jakarta, in close coordination with Coordinating Ministry of Economic Affairs, as the primary beneficiary. Therefore, Financial Regulation and Rules of UNDP will be applied in the project implementation.

RISK MANAGEMENT STANDARD CLAUSES

1. UNDP as the Implementing Partner shall comply with the policies, procedures and practices of the United Nations Security Management System (UNSMS.)
2. UNDP agrees to undertake all reasonable efforts to ensure that none of the project funds are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.
3. Consistent with UNDP’s Programme and Operations Policies and Procedures, social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).
4. The Implementing Partner shall: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.
5. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.

X. ANNEXES

- 1. Project Quality Assurance Report (on line UNDP internal process)**
- 2. Social and Environmental Screening Template**
- 3. Risk Analysis.**
- 4. Project Board Terms of Reference and TORs of key management positions**
- 5. Transfer Agreement between the International Bank for Reconstruction and Development, as Trustee of the Partnership for Market Readiness Multi-donor Trust Fund and the United Nations Development Programme with respect to the Implementation of Indonesia's Market Readiness Proposal under the Partnership for Market Readiness (TF No. TF0A3491)**
- 6. Supplemental Provisions to the Project Document : The Legal Context.**

Annex 1. Project Quality Assurance Report

Project quality assurance report is undertaken through on-line UNDP process the link:

<https://intranet.undp.org/sites/IDN/project/SitePages/Projects.aspx>

Annex 2. Social and Environmental Screening Template

Project Information

Project Information	
1. Project Title	Indonesia's Market Readiness Proposal Under the Partnership for Market Readiness (PMR for Indonesia)
2. Project Number	00097002
3. Location (Global/Region/Country)	Indonesia

Part A. Integrating Overarching Principles to Strengthen Social and Environmental Sustainability

QUESTION 1: How Does the Project Integrate the Overarching Principles in order to Strengthen Social and Environmental Sustainability?
<i>Briefly describe in the space below how the Project mainstreams the human-rights based approach</i>
<p>The long-term goal of this project is to establish a new market mechanisms or market based instruments to scale-up mitigation actions in Indonesia based on country- specific conditions and international carbon market situations. This goal could be achieved by successfully meeting the four objectives of this project. Number one is to increase understanding and determine the type and scope of appropriate market-based instruments. Number two is to prepare and support regulation with respect to carbon market related matters. Number three is to design and establish carbon market infrastructures; and number four is to enhance institutional and individual capacities that are involve in carbon market issues.</p> <p>Project oversight is provided by UNDP Country Office-Indonesia, which is responsible to ensure that UNDP's global policies for the application of human rights based approaches are integrated into its projects and programmes, including considerations with regard to gender equality and the engagement and protection of the rights of indigenous and local peoples. UNDP Indonesia will therefore ensure that the procedures followed during project implementation adhere to these UNDP global policies, as well as Indonesia's government requirements. To this end, during project preparation all key stakeholders at national, and sub-national levels will be consulted appropriately. Opportunity will be given to key stakeholders to comment on project design and plan. Agreement of sub national government as well as local communities will be obtained where project activities are deemed to have an impact on local livelihoods. The project M&E system, including demonstration project management committees and the project steering committee, will provide oversight for project implementation, including decisions required on any human rights issues arising from project implementation.</p>
<i>Briefly describe in the space below how the Project is likely to improve gender equality and women's empowerment</i>
<p>The project is focused on national and sector level policy and is therefore not envisaged to have a negative impact on women. The project will facilitate the involvement of women in decision making processes.</p>
<i>Briefly describe in the space below how the Project mainstreams environmental sustainability</i>
<p>The project's main aim is to accelerate the reduction of GHG emissions, utilizing market mechanisms.</p>

Part B. Identifying and Managing Social and Environmental Risks

QUESTION 2: What are the Potential Social and Environmental Risks? <i>Note: Describe briefly potential social and environmental risks identified in Attachment 1 – Risk Screening Checklist (based on any “Yes” responses).</i>	QUESTION 3: What is the level of significance of the potential social and environmental risks? <i>Note: Respond to Questions 4 and 5 below before proceeding to Question 6</i>			QUESTION 6: What social and environmental assessment and management measures have been conducted and/or are required to address potential risks (for Risks with Moderate and High Significance)?
<i>Risk Description</i>	<i>Impact and Probability (1-5)</i>	<i>Significance (Low, Moderate, High)</i>	<i>Comments</i>	<i>Description of assessment and management measures as reflected in the Project design. If ESIA or SESA is required note that the assessment should consider all potential impacts and risks.</i>
Risk 1: Power generation facilities adopt large hydro following strong pressure to reduce GHG emissions	I = 5 P = 1	Low	Very unlikely scenario	The project aims to de-carbonize the power generation and energy intensive industries through the introduction of MRV and recommendation of MBI options. In theory, raising the bar will encourage power companies to switch to less carbon emitting energy sources such as large hydro. However, this is such a high hurdle that the project (which follows government guidance) is highly unlikely to push the industry so far. A steering committee will provide high level guidance to the project board.
	QUESTION 4: What is the overall Project risk categorization?			
	Select one (see SESP for guidance)			Comments
	Low Risk			<input checked="" type="checkbox"/>
	Moderate Risk			<input type="checkbox"/>
	High Risk			<input type="checkbox"/>
	QUESTION 5: Based on the identified risks and risk categorization, what requirements of the SES are relevant?			
	Check all that apply			Comments
	Principle 1: Human Rights			<input type="checkbox"/>
	Principle 2: Gender Equality and Women’s Empowerment			<input type="checkbox"/>

	1. Biodiversity Conservation and Natural Resource Management		
	2. Climate Change Mitigation and Adaptation	X	Relevant in a positive manner
	3. Community Health, Safety and Working Conditions		
	4. Cultural Heritage		
	5. Displacement and Resettlement		
	6. Indigenous Peoples		
	7. Pollution Prevention and Resource Efficiency	X	Relevant in a positive manner

Final Sign Off

Signature	Date	Description
QA Assessor		UNDP staff member responsible for the Project, typically a UNDP Programme Officer. Final signature confirms they have “checked” to ensure that the SESP is adequately conducted.
QA Approver		UNDP senior manager, typically the UNDP Deputy Country Director (DCD), Country Director (CD), Deputy Resident Representative (DRR), or Resident Representative (RR). The QA Approver cannot also be the QA Assessor. Final signature confirms they have “cleared” the SESP prior to submittal to the PAC.
PAC Chair		UNDP chair of the PAC. In some cases PAC Chair may also be the QA Approver. Final signature confirms that the SESP was considered as part of the project appraisal and considered in recommendations of the PAC.

SESP Attachment: Social and Environmental Risk Screening Checklist

Checklist Potential Social and Environmental Risks		Answer (Yes/No)
Principles 1: Human Rights		
1.	Could the Project lead to adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups?	NO
2.	Is there a likelihood that the Project would have inequitable or discriminatory adverse impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups? ⁵	NO
3.	Could the Project potentially restrict availability, quality of and access to resources or basic services, in particular to marginalized individuals or groups?	NO
4.	Is there a likelihood that the Project would exclude any potentially affected stakeholders, in particular marginalized groups, from fully participating in decisions that may affect them?	NO
5.	Are there measures or mechanisms in place to respond to local community grievances?	NO
6.	Is there a risk that duty-bearers do not have the capacity to meet their obligations in the Project?	NO
7.	Is there a risk that rights-holders do not have the capacity to claim their rights?	NO
8.	Have local communities or individuals, given the opportunity, raised human rights concerns regarding the Project during the stakeholder engagement process?	No
9.	Is there a risk that the Project would exacerbate conflicts among and/or the risk of violence to project-affected communities and individuals?	NO
Principle 2: Gender Equality and Women's Empowerment		
1.	Is there a likelihood that the proposed Project would have adverse impacts on gender equality and/or the situation of women and girls?	NO
2.	Would the Project potentially reproduce discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?	NO
3.	Have women's groups/leaders raised gender equality concerns regarding the Project during the stakeholder engagement process and has this been included in the overall Project proposal and in the risk assessment?	NO
3.	Would the Project potentially limit women's ability to use, develop and protect natural resources, taking into account different roles and positions of women and men in accessing environmental goods and services? <i>For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their livelihoods and well being</i>	NO
Principle 3: Environmental Sustainability: Screening questions regarding environmental risks are encompassed by the specific Standard-related questions below		
Standard 1: Biodiversity Conservation and Sustainable Natural Resource Management		
1.1	Would the Project potentially cause adverse impacts to habitats (e.g. modified, natural, and critical habitats) and/or ecosystems and ecosystem services?	NO

⁵ Prohibited grounds of discrimination include race, ethnicity, gender, age, language, disability, sexual orientation, religion, political or other opinion, national or social or geographical origin, property, birth or other status including as an indigenous person or as a member of a minority. References to "women and men" or similar is understood to include women and men, boys and girls, and other groups discriminated against based on their gender identities, such as transgender people and transsexuals.

	<i>For example, through habitat loss, conversion or degradation, fragmentation, hydrological changes</i>	
1.2	Are any Project activities proposed within or adjacent to critical habitats and/or environmentally sensitive areas, including legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?	NO
1.3	Does the Project involve changes to the use of lands and resources that may have adverse impacts on habitats, ecosystems, and/or livelihoods? (Note: if restrictions and/or limitations of access to lands would apply, refer to Standard 5)	NO
1.4	Would Project activities pose risks to endangered species?	NO
1.5	Would the Project pose a risk of introducing invasive alien species?	NO
1.6	Does the Project involve harvesting of natural forests, plantation development, or reforestation?	NO
1.7	Does the Project involve the production and/or harvesting of fish populations or other aquatic species?	NO
1.8	Does the Project involve significant extraction, diversion or containment of surface or ground water? <i>For example, construction of dams, reservoirs, river basin developments, groundwater extraction</i>	NO
1.9	Does the Project involve utilization of genetic resources? (e.g. collection and/or harvesting, commercial development)	NO
1.10	Would the Project generate potential adverse transboundary or global environmental concerns?	NO
1.11	Would the Project result in secondary or consequential development activities which could lead to adverse social and environmental effects, or would it generate cumulative impacts with other known existing or planned activities in the area? <i>For example, a new road through forested lands will generate direct environmental and social impacts (e.g. felling of trees, earthworks, potential relocation of inhabitants). The new road may also facilitate encroachment on lands by illegal settlers or generate unplanned commercial development along the route, potentially in sensitive areas. These are indirect, secondary, or induced impacts that need to be considered. Also, if similar developments in the same forested area are planned, then cumulative impacts of multiple activities (even if not part of the same Project) need to be considered.</i>	NO
Standard 2: Climate Change Mitigation and Adaptation		
2.1	Will the proposed Project result in significant ⁶ greenhouse gas emissions or may exacerbate climate change?	NO
2.2	Would the potential outcomes of the Project be sensitive or vulnerable to potential impacts of climate change?	NO
2.3	Is the proposed Project likely to directly or indirectly increase social and environmental vulnerability to climate change now or in the future (also known as maladaptive practices)? <i>For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population's vulnerability to climate change, specifically flooding</i>	NO
Standard 3: Community Health, Safety and Working Conditions		
3.1	Would elements of Project construction, operation, or decommissioning pose potential safety risks to local communities?	NO
3.2	Would the Project pose potential risks to community health and safety due to the transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	NO

⁶ In regards to CO₂, 'significant emissions' corresponds generally to more than 25,000 tons per year (from both direct and indirect sources). [The Guidance Note on Climate Change Mitigation and Adaptation provides additional information on GHG emissions.]

3.3	Does the Project involve large-scale infrastructure development (e.g. dams, roads, buildings)?	NO
3.4	Would failure of structural elements of the Project pose risks to communities? (e.g. collapse of buildings or infrastructure)	NO
3.5	Would the proposed Project be susceptible to or lead to increased vulnerability to earthquakes, subsidence, landslides, erosion, flooding or extreme climatic conditions?	NO
3.6	Would the Project result in potential increased health risks (e.g. from water-borne or other vector-borne diseases or communicable infections such as HIV/AIDS)?	NO
3.7	Does the Project pose potential risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during Project construction, operation, or decommissioning?	NO
3.8	Does the Project involve support for employment or livelihoods that may fail to comply with national and international labor standards (i.e. principles and standards of ILO fundamental conventions)?	NO
3.9	Does the Project engage security personnel that may pose a potential risk to health and safety of communities and/or individuals (e.g. due to a lack of adequate training or accountability)?	NO
Standard 4: Cultural Heritage		
4.1	Will the proposed Project result in interventions that would potentially adversely impact sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: Projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	NO
4.2	Does the Project propose utilizing tangible and/or intangible forms of cultural heritage for commercial or other purposes?	NO
Standard 5: Displacement and Resettlement		
5.1	Would the Project potentially involve temporary or permanent and full or partial physical displacement?	NO
5.2	Would the Project possibly result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	NO
5.3	Is there a risk that the Project would lead to forced evictions? ⁷	NO
5.4	Would the proposed Project possibly affect land tenure arrangements and/or community based property rights/customary rights to land, territories and/or resources?	NO
Standard 6: Indigenous Peoples		
6.1	Are indigenous peoples present in the Project area (including Project area of influence)?	NO
6.2	Is it likely that the Project or portions of the Project will be located on lands and territories claimed by indigenous peoples?	NO
6.3	Would the proposed Project potentially affect the rights, lands and territories of indigenous peoples (regardless of whether Indigenous Peoples possess the legal titles to such areas)?	NO
6.4	Has there been an absence of culturally appropriate consultations carried out with the objective of achieving FPIC on matters that may affect the rights and interests, lands, resources, territories and traditional livelihoods of the indigenous peoples concerned?	NO
6.4	Does the proposed Project involve the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	NO

⁷ Forced evictions include acts and/or omissions involving the coerced or involuntary displacement of individuals, groups, or communities from homes and/or lands and common property resources that were occupied or depended upon, thus eliminating the ability of an individual, group, or community to reside or work in a particular dwelling, residence, or location without the provision of, and access to, appropriate forms of legal or other protections.

6.5	Is there a potential for forced eviction or the whole or partial physical or economic displacement of indigenous peoples, including through access restrictions to lands, territories, and resources?	NO
6.6	Would the Project adversely affect the development priorities of indigenous peoples as defined by them?	NO
6.7	Would the Project potentially affect the traditional livelihoods, physical and cultural survival of indigenous peoples?	NO
6.8	Would the Project potentially affect the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	NO
Standard 7: Pollution Prevention and Resource Efficiency		
7.1	Would the Project potentially result in the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	NO
7.2	Would the proposed Project potentially result in the generation of waste (both hazardous and non-hazardous)?	NO
7.3	Will the proposed Project potentially involve the manufacture, trade, release, and/or use of hazardous chemicals and/or materials? Does the Project propose use of chemicals or materials subject to international bans or phase-outs? <i>For example, DDT, PCBs and other chemicals listed in international conventions such as the Stockholm Conventions on Persistent Organic Pollutants or the Montreal Protocol</i>	NO
7.4	Will the proposed Project involve the application of pesticides that may have a negative effect on the environment or human health?	NO
7.5	Does the Project include activities that require significant consumption of raw materials, energy, and/or water?	NO

Annex 3. OFFLINE RISK LOG



Project Title: Indonesia's Market Readiness Proposal Under the Partnership for Market Readiness (PMR for Indonesia)			Award ID: 00097002	Date: 1 October 2016
--	--	--	---------------------------	-----------------------------

#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Management response	Owner	Submitted, updated by	Last Update	Status
1	Sustainability / replicability	1 October 2016	Political	<p>There is a risk that results produced by project will not be sustained beyond the project lifetime. There is also a risk that project results will not be scaled up. This risk is largely due to political commitment to apply policy reforms. Given that these results emerged through external financing and support, key project results must be sufficiently institutionalized if the larger outcomes are to be sustainable. However, there may be insufficient commitment to implement project recommendations for post-project activities. A main reason for this is that they may be relatively low commitment to institutionalize some project</p>	<p>The project includes specific outputs on communicating results to stakeholders and engaging stakeholders during all stages of the MRP Implementation Phase. The outputs will demonstrate the value of the project which may strengthen the Government's appreciation of the results and recommendations, and therefore make it more likely that the Government will support the approval of results and recommendations for post-project implementation. The activities of this project were strategically selected and designed to promote sustainability and replicability. Project activities call for creating</p>	National Project Manager	Programme Manager		

					<p>knowledge-dissemination and policy tools for mainstreaming efforts into overall national strategies and plans.</p> <p>Furthermore, no-regret measures will be pursued. Increasing transparency of reporting and data to pinpoint efficiency gains should be welcomed by participating companies (ISO etc.)</p>				
2	Coordination	1 October 2016	Operational	<p>result in the absence of new external financing.</p> <p>P = 3 I = 3</p>	<p>During the proposal formulation, consultations were organized with key stakeholders to increase their understanding of the project and establish networks of collaboration. Once implementation of the project begins, key stakeholders will meet on a regular basis so that they are aware of the progress of the project and contribute to the project. Additionally, the project has select activities to strengthen institutional mechanisms for improved coordination and collaboration. These include negotiating best consultative processes and</p>	National Project Manager	Programme Manager		

3	Internal resistance to change	1 October 2016	Organizational	<p>This is a natural human condition and reflects people's comfort with known subjects, policies and procedures. However, the basis for this project is that these knowledge-base, policies and procedures could be improved.</p> <p>P = 2 I = 3</p>	memoranda of understanding.	National Project Manager	Programme Manager		
				<p>The activities of this project were strategically selected and designed to take into account these existing "business-as-usual" approaches, and to facilitate a process by they could be improved incrementally. Most, if not all, of the activities under this project call for such incremental modifications to be made. These will not be dictated by external expertise, but rather facilitated by experts and independent advisors so that stakeholders discuss and come to consensus agreements themselves. This approach serves to strengthen the ownership and legitimacy of the decisions reached in these stakeholder consultations, workshops, or other project exercises. For this reason, the project makes the implicit assumption that stakeholders will give the benefit of the doubt to the design of the project activities, be open to new</p>					

4	Changes in government structure	1 October 2016	Political	<p>Political elections and changes in government structure could result in a change in leadership among the key government bodies, with implications for the loss of institutional memory. Notwithstanding, changes in political leadership tend to reverberate vertically, with heads of ministries replaced as a result of nominations from parliamentary factions, who in turn may replace heads of technical or administrative departments.</p> <p>P = 4 I = 2</p>	and opposing perspectives, and actively participate in the project to negotiate issues and recommendations towards a consensus.	National Project Manager	Programme Manager		
				<p>A couple of fact should be made clear to all stakeholder in the earliest chance possible. First is the fact that Indonesian decision nor commitment to implement market-based instrument is not demanded by this project. However, the project's results will make the Government more comfortable in making the decision. In the case that MBI couldn't be implemented within the project's period, the resulted sectoral MRV system is strongly beneficial to develop any effective climate mitigation policy; thus is deemed as a no-regret measure. The second fact is that this project won't bring additional burden to private stakeholders and its line ministries. Sectoral MRV is already mandated by Presidential Regulation No.</p>					

5	Lack of ownership and leadership	1 October 2016	Strategic	<p>Since the project covers multiple focal areas (i.e., electricity generation, industry, and climate change) that are mandated by multiple ministries, there is a risk that these ministries will be engaged but no agency will take a leadership role. By design, the lead agency is the Coordinating Ministry of Economic Affairs which is the traditional coordinating ministry to the key ministries involved.</p> <p>P = 2 I = 2</p>	<p>71/2011 cl. 8 about National GHG Inventory and this project will assist in developing and/or improving the MRV system.</p> <p>To increase other ministries' ownership of the project, the project design includes measures to promote ownership.</p> <p>Project activities will be informed by the best available expertise, facilitated by experts and independent advisors in such a way that stakeholders discuss and come to consensus agreements themselves. This approach helps strengthen the ownership and legitimacy of the decisions reached in stakeholder consultations, workshops, or other project exercises.</p>	National Project Manager	Programme Manager		
---	----------------------------------	----------------	-----------	--	--	--------------------------	-------------------	--	--

Annex 4. Terms of Reference for the Project Board

Project Board

Overall responsibilities:

The Project Board is the group responsible for making by consensus management decisions for a project when guidance is required by the National Project Manager, including recommendation for UNDP/Implementing Partner approval of project plans and revisions. In order to ensure UNDP's ultimate accountability, Project Board decisions should be made in accordance to standards⁸ that shall ensure best value to money, fairness, integrity, transparency and effective international competition. In case a consensus cannot be reached, final decision shall rest with the UNDP. Project reviews by this group are made at designated decision points during the running of a project, or as necessary when raised by the Project Manager. This group is consulted by the Project Manager for decisions when PM tolerances (normally in terms of time and budget) have been exceeded.

Based on the approved annual work plan (AWP), the Project Board may review and approve project quarterly plans when required and authorizes any major deviation from these agreed quarterly plans. It is the authority that signs off the completion of each quarterly plan as well as authorizes the start of the next quarterly plan. It ensures that required resources are committed and arbitrates on any conflicts within the project or negotiates a solution to any problems between the project and external bodies. In addition, it approves the appointment and responsibilities of the Project Manager and any delegation of its Project Assurance responsibilities.

Composition and organization: This group contains three roles, including:

1. An Executive: individual representing the project ownership to chair the group.
2. Senior Supplier: individual or group representing the interests of the parties concerned which provide funding and/or technical expertise to the project. The Senior Supplier's primary function within the Board is to provide guidance regarding the technical feasibility of the project.
3. Senior Beneficiary: individual or group of individuals representing the interests of those who will ultimately benefit from the project. The Senior Beneficiary's primary function within the Board is to ensure the realization of project results from the perspective of project beneficiaries.

Potential members of the Project Board are reviewed and recommended for approval during the LPAC⁹ meeting. For example, the Executive role can be held by a representative from the Government Cooperating Agency or UNDP, the Senior Supplier role is held by a representative of the Implementing Partner and/or UNDP, and the Senior Beneficiary role is held by a representative of the government or civil society. Representative of other stakeholders can be included in the Board as appropriate.

⁸ UNDP Financial Rules and Regulations: Chapter E, Regulation 16.05: a) The administration by executing entities or, under the harmonized operational modalities, implementing partners, of resources obtained from or through UNDP shall be carried out under their respective financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. b) Where the financial governance of an executing entity or, under the harmonized operational modalities, implementing partner, does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, that of UNDP shall apply.

⁹ Depending on its composition, the Outcome Board can fulfill the function of the Project Appraisal Committee (LPAC)

Specific responsibilities:

Initiating a project

- Agree on Project Manager's responsibilities, as well as the responsibilities of the other members of the Project Management team;
- Delegate Project Assurance function to the Programme Manager, as appropriate;
- Review and appraise detailed the Annual Work Plan (AWP), including Atlas reports covering activity definition, quality criteria, issue log, updated risk log and the monitoring and communication plan.

Running a project

- Provide overall guidance and direction to the project, ensuring it remains within any specified constraints;
- Address project issues as raised by the Project Manager;
- Provide guidance and agree on possible countermeasures/management actions to address specific risks;
- Agree on Project Manager's tolerances in the Annual Work Plan and quarterly plans when required;
- Conduct regular meetings to review the Project Quarterly Progress Report and provide direction and recommendations to ensure that the agreed deliverables are produced satisfactorily according to plans.
- Review Combined Delivery Reports (CDR) prior to certification by the Implementing Partner;
- Appraise the Project Annual Review Report, make recommendations for the next AWP, and inform the Outcome Board about the results of the review.
- Review and approve end project report, make recommendations for follow-on actions;
- Provide ad-hoc direction and advice for exception situations when project manager's tolerances are exceeded;
- Assess and decide on project changes through revisions;

Closing a project

- Assure that all Project deliverables have been produced satisfactorily;
- Review and approve the Final Project Review Report, including Lessons-learned;
- Make recommendations for follow-on actions to be submitted to the Outcome Board;
- Commission project evaluation (only when required by partnership agreement)
- Notify operational completion of the project to the Outcome Board.

Executive

The Executive is ultimately responsible for the project, supported by the Senior Beneficiary and Senior Supplier. The Executive's role is to ensure that the project is focused throughout its life cycle on achieving its objectives and delivering outputs that will contribute to higher level outcomes. The Executive has to ensure that the project gives value for money, ensuring a cost-conscious approach to the project, balancing the demands of beneficiary and supplier.

Specific Responsibilities (as part of the above responsibilities for the Project Board)

- Ensure that there is a coherent project organisation structure and logical set of plans
- Set tolerances in the AWP and other plans as required for the Project Manager
- Monitor and control the progress of the project at a strategic level

- Ensure that risks are being tracked and mitigated as effectively as possible
- Brief Outcome Board and relevant stakeholders about project progress
- Organise and chair Project Board meetings

The Executive is responsible for overall assurance of the project as described [below](#). If the project warrants it, the Executive may delegate some responsibility for the project assurance functions.

Senior Beneficiary

The Senior Beneficiary is responsible for validating the needs and for monitoring that the solution will meet those needs within the constraints of the project. The role represents the interests of all those who will benefit from the project, or those for whom the deliverables resulting from activities will achieve specific output targets. The Senior Beneficiary role monitors progress against targets and quality criteria. This role may require more than one person to cover all the beneficiary interests. For the sake of effectiveness the role should not be split between too many people.

Specific Responsibilities (as part of the above responsibilities for the Project Board)

- Ensure the expected output(s) and related activities of the project are well defined
- Make sure that progress towards the outputs required by the beneficiaries remains consistent from the beneficiary perspective
- Promote and maintain focus on the expected project output(s)
- Prioritise and contribute beneficiaries' opinions on Project Board decisions on whether to implement recommendations on proposed changes
- Resolve priority conflicts

The assurance responsibilities of the Senior Beneficiary are to check that:

- Specification of the Beneficiary's needs is accurate, complete and unambiguous
- Implementation of activities at all stages is monitored to ensure that they will meet the beneficiary's needs and are progressing towards that target
- Impact of potential changes is evaluated from the beneficiary point of view
- Risks to the beneficiaries are frequently monitored

Where the project's size, complexity or importance warrants it, the Senior Beneficiary may delegate the responsibility and authority for some of the assurance responsibilities (see also the section [below](#))

Senior Supplier

The Senior Supplier represents the interests of the parties which provide funding and/or technical expertise to the project (designing, developing, facilitating, procuring, implementing). The Senior Supplier's primary function within the Board is to provide guidance regarding the technical feasibility of the project. The Senior Supplier role must have the authority to commit or acquire supplier resources required. If necessary, more than one person may be required for this role. Typically, the implementing partner, UNDP and/or donor(s) would be represented under this role.

Specific Responsibilities (as part of the above responsibilities for the Project Board)

- Make sure that progress towards the outputs remains consistent from the supplier perspective
- Promote and maintain focus on the expected project output(s) from the point of view of supplier management

- Ensure that the supplier resources required for the project are made available
- Contribute supplier opinions on Project Board decisions on whether to implement recommendations on proposed changes
- Arbitrate on, and ensure resolution of, any supplier priority or resource conflicts

The supplier assurance role responsibilities are to:

- Advise on the selection of strategy, design and methods to carry out project activities
- Ensure that any standards defined for the project are met and used to good effect
- Monitor potential changes and their impact on the quality of deliverables from a supplier perspective
- Monitor any risks in the implementation aspects of the project

If warranted, some of this assurance responsibility may be delegated (see also the section [below](#))

Project Manager

Overall responsibilities: The Project Manager has the authority to run the project on a day-to-day basis on behalf of the Project Board within the constraints laid down by the Board. The Project Manager is responsible for day-to-day management and decision-making for the project. The Project Manager's prime responsibility is to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost.

Specific responsibilities would include:

Overall project management:

- Manage the realization of project outputs through activities;
- Provide direction and guidance to project team(s)/ responsible party(ies);
- Liaise with the Project Board or its appointed Project Assurance roles to assure the overall direction and integrity of the project;
- Identify and obtain any support and advice required for the management, planning and control of the project;
- Responsible for project administration;
- Liaise with any suppliers;
- May also perform Team Manager and Project Support roles;

Running a project

- Plan the activities of the project and monitor progress against the initial quality criteria.
- Mobilize goods and services to initiative activities, including drafting TORs and work specifications;
- Monitor events as determined in the Monitoring & Communication Plan, and update the plan as required;
- Manage requests for the provision of financial resources by UNDP, using advance of funds, direct payments, or reimbursement using the FACE (Fund Authorization and Certificate of Expenditures);
- Monitor financial resources and accounting to ensure accuracy and reliability of financial reports;
- Manage and monitor the project risks as initially identified in the Project Brief appraised by the LPAC, submit new risks to the Project Board for consideration and decision on possible actions if required; update the status of these risks by maintaining the Project Risks Log;
- Be responsible for managing issues and requests for change by maintaining an Issues Log.
- Prepare the Project Quarterly Progress Report (progress against planned activities, update on Risks and Issues, expenditures) and submit the report to the Project Board and Project Assurance;

- Prepare the Annual review Report, and submit the report to the Project Board and the Outcome Board;
- Based on the review, prepare the AWP for the following year, as well as Quarterly Plans if required.

Closing a Project

- Prepare Final Project Review Reports to be submitted to the Project Board and the Outcome Board;
- Identify follow-on actions and submit them for consideration to the Project Board;
- Manage the transfer of project deliverables, documents, files, equipment and materials to national beneficiaries;
- Prepare final CDR/FACE for signature by UNDP and the Implementing Partner.

Project Assurance

Overall responsibility: Project Assurance is the responsibility of each Project Board member, however the role can be delegated to the Programme Manager. The Project Assurance role supports the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures appropriate project management milestones are managed and completed.

Project Assurance has to be independent of the Project Manager; therefore the Project Board cannot delegate any of its assurance responsibilities to the Project Manager. A UNDP Programme Manager/Officer typically holds the Project Assurance role.

The implementation of the assurance responsibilities needs to answer the question “What is to be assured?”. The following list includes the key suggested aspects that need to be checked by the Project Assurance throughout the project as part of ensuring that it remains relevant, follows the approved plans and continues to meet the planned targets with quality.

- Maintenance of thorough liaison throughout the project between the members of the Project Board.
- Beneficiary needs and expectations are being met or managed
- Risks are being controlled
- Adherence to the Project Justification (Business Case)
- Projects fit with the overall Country Programme
- The right people are being involved
- An acceptable solution is being developed
- The project remains viable
- The scope of the project is not “creeping upwards” unnoticed
- Internal and external communications are working
- Applicable UNDP rules and regulations are being observed
- Any legislative constraints are being observed
- Adherence to RMG monitoring and reporting requirements and standards
- Quality management procedures are properly followed
- Project Board’s decisions are followed and revisions are managed in line with the required procedures

Specific responsibilities would include:

Initiating a project

- Ensure that project outputs definitions and activity definition including description and quality criteria have been properly recorded in the Atlas Project Management module to facilitate monitoring and reporting;
- Ensure that people concerned are fully informed about the project
- Ensure that all preparatory activities, including training for project staff, logistic supports are timely carried out

Running a project

- Ensure that funds are made available to the project;
- Ensure that risks and issues are properly managed, and that the logs in Atlas are regularly updated;
- Ensure that critical project information is monitored and updated in Atlas, using the Activity Quality log in particular;
- Ensure that Project Quarterly Progress Reports are prepared and submitted on time, and according to standards in terms of format and content quality;
- Ensure that CDRs and FACE are prepared and submitted to the Project Board and Outcome Board;
- Perform oversight activities, such as periodic monitoring visits and “spot checks”.
- Ensure that the Project Data Quality Dashboard remains “green”

Closing a project

- Ensure that the project is operationally closed in Atlas;
- Ensure that all financial transactions are in Atlas based on final accounting of expenditures;
- Ensure that project accounts are closed and status set in Atlas accordingly.

Project Management Unit (Project Support)

Overall responsibilities: The Project Management Unit role provides project administration, management and technical support to the Project Manager as required by the needs of the individual project or Project Manager. The provision of any Project Management Unit on a formal basis is optional. It is necessary to keep Project Management Unit and Project Assurance roles separate in order to maintain the independence of Project Assurance.

Specific responsibilities: Some specific tasks of the Project Management Unit would include:

Provision of administrative services:

- Set up and maintain project files
- Collect project related information data
- Update plans
- Administer the quality review process
- Administer Project Board meetings

Project documentation management:

- Administer project revision control
- Establish document control procedures
- Compile, copy and distribute all project reports

Financial Management, Monitoring and reporting

- Assist in the financial management tasks under the responsibility of the Project Manager
- Provide support in the use of Atlas for monitoring and reporting

Provision of technical support services

- Provide technical advices
- Review technical reports
- Monitor technical activities carried out by responsible parties

Annex. 5

TRANSFER AGREEMENT

BETWEEN

**THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, AS
TRUSTEE OF THE PARTNERSHIP FOR MARKET READINESS MULTI-DONOR
TRUST FUND**

AND

THE UNITED NATIONS DEVELOPMENT PROGRAMME

WITH RESPECT TO

**THE IMPLEMENTATION OF INDONESIA'S MARKET READINESS PROPOSAL UNDER
THE PARTNERSHIP FOR MARKET READINESS**

(TF No. TF0A3491)

WHEREAS the International Bank for Reconstruction and Development ("IBRD"), as trustee (the "Trustee") of the Partnership for Market Readiness (TF No. TF071670) (the "PMR Trust Fund") and the United Nations Development Programme (the "Delivery Partner", and together with the Trustee, the "Parties" and each a "Party") are entering into this Transfer Agreement (the "Transfer Agreement") for the transfer of funds by the Trustee to the Delivery Partner from the PMR Trust Fund through a disbursing trust fund (TF No. TF0A3491) (the "PMR Transfer Trust Fund");

WHEREAS the PMR Trust Fund has been established through administration agreements between the Trustee and each of the contributors (collectively, the "Contributors") contributing funds to the PMR Trust Fund;

WHEREAS the objectives, operating principles, activities and governance arrangements of the PMR Trust Fund are described in the PMR Governance Framework, which was adopted at the organizational meeting of the PMR Trust Fund on April 11, 2011 and amended on March 5, 2014, as such framework may be further amended from time to time in accordance with its terms (the "PMR Governance Framework");

WHEREAS following the allocation by the Partnership Assembly of the PMR (the "PMR Partnership Assembly") in its Resolution No. PA 7/2013-1, the approval of the Delivery Partner in the PMR Partnership Assembly's Resolution No. Resolution No. PA Electronic/2016-1, and the PMR Partnership Assembly's no objection to the material terms of this Transfer Agreement, the Trustee shall transfer the amount of three million one hundred fifty thousand United States dollars (US\$3,150,000) (the "Funds") from the PMR Transfer Trust Fund to the Delivery Partner, of which: (i) two million seven hundred seventy-seven thousand seven hundred seventy-eight United States dollars (US\$2,777,778) will be used to support the implementation of Indonesia's Market Readiness Proposal under the Partnership for Market Readiness (the "TA"); (ii) two hundred twenty-two thousand two hundred twenty-two United States dollars (US\$222,222) will be used to cover the Delivery Partner's administration expenses associated with the TA, as set forth in paragraph 6 (a) below; and (iii) one hundred fifty thousand United States dollars (US\$150,000) will be used to cover the Delivery Partner's supervision expenses, as set forth in paragraph 6 (b) below.

NOW THEREFORE, the Parties agree as follows:

1. Capitalized terms used herein, but not otherwise defined in this Transfer Agreement, shall have the meaning ascribed to them in the PMR Governance Framework.

2. Upon receipt of: (a) the transfer request from the Delivery Partner, which shall be substantially in the form attached hereto as Annex A, requesting for the Trustee to transfer the Funds to the Delivery Partner; and (b) the authorized signatory letter duly executed by the Delivery Partner, which shall be substantially in the form attached hereto as Annex B, containing the name(s) and signature(s) of person(s) authorized on behalf of the Delivery Partner to sign the transfer request, the Trustee shall transfer the proceeds of the Funds from the PMR Transfer Trust Fund to the Delivery Partner in one lump sum by wire transfer in United States dollars to a United States dollar denominated interest-bearing account of the Delivery Partner ("Funding Account") specified in the request.

3. The Delivery Partner agrees that the Funds shall be kept separate and apart from the funds of the Delivery Partner in the Funding Account pending their use for the purposes for which the Funds have been approved by the PMR Partnership Assembly. The Funds in the Funding Account may be commingled and may be freely exchanged by the Delivery Partner into other currencies as may facilitate their disbursement and investment. In the event that the Delivery Partner has provided funding to a third party in a currency other than United States Dollars, any exchange risk arising as a result of such conversion of currencies shall be borne by the Funds allocated to the TA. It is provided, however, that unless an additional allocation is made by the Partnership Assembly, the Delivery Partner shall not be entitled to receive any additional funding to cover any shortfalls if the funds prove insufficient to meet the terms of the approval allocation as a result of exchange rate fluctuations.

4. Subject to the terms of this Transfer Agreement, the Delivery Partner may invest all Funds pending their disbursement in accordance with the Delivery Partner's policies and procedures concerning the investment of funds, including those applicable to funds for which the Delivery Partner acts as trustee. The Delivery Partner shall not be held liable for any losses which may arise from such investment save to the extent provided for in paragraph 18 below. The Delivery Partner shall not be entitled to receive any additional funding to compensate for investment losses incurred by the Delivery Partner, unless an additional allocation is made by the Partnership Assembly.

5. Upon the transfer of Funds to the Delivery Partner:

(a) the Delivery Partner shall be responsible for the use and administration of such funds as well as the supervision of the activities financed by such funds, all in accordance with: (i) the terms of this Transfer Agreement; (ii) the applicable Delivery Partner's regulations, rules, policies and procedures (including those in respect of procurement of goods and services, disbursement, fiduciary, financial management, environmental and social safeguards, reporting arrangements and its framework to combat fraud and corruption); and (iii) the applicable decisions of the PMR Partnership Assembly and/or the Partnership Committee of the PMR (the "Partnership Committee"), as applicable, including the purpose for which the Funds have been approved; and

(b) the Trustee shall have no responsibility, fiduciary or otherwise, for the use of such funds, including the implementation or supervision of the TA financed by such funds.

6. The Delivery Partner shall be entitled to withdraw from the Funding Account:

(a) the amount of two hundred twenty-two thousand two hundred twenty-two United States dollars (US\$222,222), which is equivalent to eight percent (8%) over the amount allocated for the TA, to

cover administration expenses incurred by the Delivery Partner under this Transfer Agreement in connection with the TA; and

(b) the amount of one hundred fifty thousand United States dollars (US\$150,000) to cover expenses incurred by the Delivery Partner in connection with the supervision of the TA under this Transfer Agreement.

7. The Delivery Partner agrees that it shall not incur any commitments with respect to the Funds after June 30, 2020 (the "End Date"). Any uncommitted or unused Funds remaining with the Delivery Partner after the End Date shall be returned to the Trustee for deposit in the PMR Transfer Trust Fund.

8. (a) The Delivery Partner shall inform the PMR Secretariat, as described in the PMR Governance Framework, (the "PMR Secretariat"), of any review missions undertaken by it related to the Funds and provide to the PMR Secretariat a report setting out the main findings or results of such mission, if so requested by the PMR Secretariat.

(b) The Delivery Partner will invite, through the PMR Secretariat, contributors to the PMR Trust Fund (the "Contributing Participants"), as appropriate, to join any review missions, including supervision missions and the mid-term review during the implementation of the activity financed by the Funds and upon its completion. The Contributing Partners shall be responsible for their own costs with respect to any participation in the aforementioned review missions.

(c) If any Contributing Participant wishes to request to review the activities financed by the Funds, the Contributing Participant, through the PMR Secretariat, and the Delivery Partner shall agree on the scope and conduct of such review, and the Delivery Partner shall provide all relevant information within the limits of its policies and procedures and without prejudice to its privileges and immunities. All associated costs will be borne by the Contributing Participant. It is understood that any such review will not constitute and independent evaluation, compliance review, financial or other audits of the Funds.

9. The Delivery Partner shall prepare and submit to the PMR Secretariat: (a) an annual report on the implementation of the activities funded under the Funds and other reports and information as the PMR Secretariat may reasonably request concerning the progress of the activities funded under the Funds, within ninety (90) days after the end of each calendar year; and (b) a final report on the implementation of the activities funded under the Funds, within six (6) months after the earlier date of (i) the End Date; or (ii) the termination of this Transfer Agreement, in order for the PMR Secretariat to provide the PMR Partnership Assembly with updates or consolidated progress reports on the individual activities of the PMR Transfer Trust Fund and on the PMR Trust Fund as a whole at the meetings of the PMR Partnership Assembly. The Delivery Partner agrees that the PMR Secretariat may provide the reports received from the Delivery Partner under this paragraph to a participant of the PMR Partnership Assembly, upon such participant's request.

10. The Delivery Partner shall, in accordance with its rules, policies and procedures: (a) maintain books, records, documents and other evidence in accordance with its usual accounting procedures to substantiate sufficiently the use of the Funds; and (b) provide to the Trustee, copies of: (i) periodic financial reports, including annual audited or unaudited financial reports, as agreed with the Trustee; (ii) a final, audited financial statement for the Funding Account, within twelve (12) months after the earlier date of (A) the End Date or (B) the termination of this Transfer Agreement; and (iii) such other reports related to the Funds as may be reasonably requested by the Trustee from time to time, in order for the Trustee to accordingly report to the PMR Partnership Assembly. The Delivery Partner agrees that the Trustee may provide the reports received from the Delivery Partner under this paragraph to a participant of the PMR

Partnership Assembly, upon such participant's request. Cost of the audits of the terminal financial statement will be paid from the Funds allocated to the TA.

11. Recognizing the obligations of the Delivery Partner's member countries under various United Nations Security Council Resolutions to take measures to prevent the financing of terrorists, the Delivery Partner undertakes to use reasonable efforts, consistent with its policies and procedures, to ensure that the Funds provided to it by the Trustee are used for their intended purposes and are not diverted to terrorists or their agents.

12. The PMR Partnership Assembly shall notify the Trustee if the PMR Partnership Assembly has determined, in consultation with the Delivery Partner, that: (a) there has been a substantial deviation on the usage of the funds from the decisions of the PMR Partnership Assembly and/or Partnership Committee, as applicable, approving such allocation of Funds; (b) the Delivery Partner has failed to comply with any of the terms of this Transfer Agreement; or (c) the Delivery Partner has engaged in financial mismanagement, as determined in accordance with the Delivery Partner's policies and procedures. The Trustee shall then notify the Delivery Partner in writing that (a), (b) or (c) above has occurred and request the Delivery Partner to remedy or cause such event to be remedied within thirty (30) calendar days of the notification by the Trustee.

13. If following receipt of the Trustee notification referred to in paragraph 12 above, the Delivery Partner fails to remedy or cause such event to be remedied within the specified time period to the satisfaction of the PMR Partnership Assembly, the Trustee: (a) will consult with the PMR Partnership Assembly; and (b) at the instruction of the PMR Assembly (in consultation with the Delivery Partner), may require the Delivery Partner to return the Funds transferred to the Delivery Partner in the amount determined by the PMR Partnership Assembly in consultation with the Delivery Partner. If the dispute was not in any way caused by the Delivery Partner's gross negligence or willful misconduct, the Delivery Partner may be requested to use reasonable efforts to recover the amount from the third parties and return the Funds to the extent they are recovered by the Delivery Partner, but the Delivery Partner would not be required to return any Funds which are not so recovered.

14. (a) The Delivery Partner agrees that the PMR Partnership Assembly, acting through its members or other representative, as third party beneficiaries under this Transfer Agreement shall have the right to seek recourse against the Delivery Partner with respect to any unmet or breached obligations of the Delivery Partner stated in this Transfer Agreement; provided that the procedures specified in paragraphs 12 and 13 above have been exhausted. If as a result of such recourse the Delivery Partner makes any payment, such payment will be made only to the Trustee and only for the benefit of the PMR Trust Fund. Any payment from the Delivery Partner shall be limited to such amount of Funds attributable to the breach of its obligations, in accordance with the Delivery Partner's financial regulations and rules.

(b) In the event that the PMR Assembly, acting through its members or other representative, has the right to seek recourse against the Delivery Partner pursuant to paragraph 14 (a) above, the Trustee may: (i) assign its rights under this Transfer Agreement to the designated members or other representative of the PMR Partnership Assembly; and (b) novate its obligations under this Transfer Agreement to the designated members or other representative of the PMR Partnership Assembly, and the Delivery Partner irrevocably consents to such assignment and novation by the Trustee.

15. The Trustee and/or the Delivery Partner may make this Transfer Agreement and information with respect to it publicly available in accordance with their policies and procedures with respect to the disclosure of information, in effect at the time of such disclosure.

16. The Delivery Partner will endeavor opportunities to highlight the identity of the PMR Trust Fund support to the activities financed by the Funds as appropriate.
17. The Delivery Partner shall be responsible only for performing its functions specifically set forth in this Transfer Agreement and shall not be subject to any other duties or responsibilities, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or a trustee under general principles of trust or fiduciary law.
18. In performing its functions in accordance with the terms of this Transfer Agreement, the Delivery Partner shall not be liable for any loss, costs or damages that may result from any act or omission on the part of the Delivery Partner other than those caused by its gross negligence or willful misconduct.
19. Nothing in this Transfer Agreement shall be considered a waiver of any privileges or immunities of IBRD and the Delivery Partner under their respective constituent documents or any applicable law, all of which are expressly reserved. Nothing in this Transfer Agreement shall be considered as an acceptance by the Delivery Partner of the jurisdiction of any national courts or the application of any domestic law.
20. Any amendments and/or modifications to this Transfer Agreement will be made by mutual consent and in writing between the Parties.
21. The Delivery Partner and the Trustee or the members of the PMR Partnership Assembly, as the case may be, shall use their best efforts to amicably resolve any disputes, controversy or claims arising out of or relating to this Transfer Agreement.
22. Either Party may give notice of termination of this Transfer Agreement. Such termination will enter into effect three (3) months after notice has been received. Following termination, the Trustee and the Delivery Partner shall, in consultation with the PMR Partnership Assembly, to the extent possible, take all necessary actions for winding up their affairs in relation to the activities financed by the Funds in an expeditious manner, and for meeting the commitments already made by the Trustee and the Delivery Partner under this Transfer Agreement prior to the date of the above-mentioned termination notice. In the event of any such termination, unless the Parties agree on another course of action: (a) any agreement entered into prior to the termination between the Delivery Partner and any consultants and/or other third parties will remain in effect and be unaffected by the termination; and (b) the Delivery Partner shall continue to disburse the Funds in respect of such agreements to the extent necessary to fulfill the Delivery Partner's obligations thereunder as if this Transfer Agreement had not been terminated. All other uncommitted or unused Funds remaining with the Delivery Partner shall be returned to the Trustee for deposit in the PMR Transfer Trust Fund.
23. Any communication, notice or request required or permitted to be given or made under this Transfer Agreement shall be executed in writing by the authorized person set forth below and delivered to the address set forth below, or such other contact details as may be notified in writing by one party to the other from time to time.

For the Trustee:

Venkat Ramana Putti
Climate and Carbon Finance Unit (GCCCCF)
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Attention: Trustee for Partnership for Market Readiness

Telephone Number: +1 202 473 1368

Facsimile Number: +1 202 522 7432

E-mail: pramana@worldbank.org

For the Delivery Partner:

Christophe Bahuet
Country Director
United Nations Development Programme
Menara Thamrin Building, 8th Fl.
M.H. Thamrin kav.3, Jakarta
Indonesia

Attention: UNDP Indonesia Country Director

Telephone Number: +62-212 980 2300

Facsimile Number: +62-213 145 251

E-mail: Christophe.bahuet@undp.org

24. This Transfer Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

25. The Trustee and the Delivery Partner agree that upon receipt by the Trustee of the copy of this Transfer Agreement countersigned by the Delivery Partner, this Transfer Agreement shall become effective as of the date of the Delivery Partner's signature.

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, AS TRUSTEE OF
THE PARTNERSHIP FOR MARKET READINESS MULTI-DONOR TRUST FUND**

By: _____



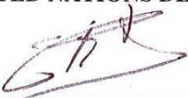
Date: 10/11/2016

Name: John A. Roome

Title: Senior Director, Climate Change CCSA

UNITED NATIONS DEVELOPMENT PROGRAMME

By: _____



Date: 10/20/2016

Name: Christophe Bahuet

Title: Country Director, Indonesia

Annex 6. Supplemental Provisions to the Project Document¹⁰: The Legal Context

General responsibilities of the Government, UNDP and the executing agency

1. All phases and aspects of UNDP assistance to this project shall be governed by and carried out in accordance with the relevant and applicable resolutions and decisions of the competent United Nations organs and in accordance with UNDP's policies and procedures for such projects, and subject to the requirements of the UNDP Monitoring, Evaluation and Reporting System.
2. The Government shall remain responsible for this UNDP-assisted development project and the realization of its objectives as described in this Project Document.
3. Assistance under this Project Document being provided for the benefit of the Government and the people of (the particular country or territory), the Government shall bear all risks of operations in respect of this project.
4. The Government shall provide to the project the national counterpart personnel, training facilities, land, buildings, equipment and other required services and facilities. It shall designate the Government Co-operating Agency named in the cover page of this document (hereinafter referred to as the "Co-operating Agency"), which shall be directly responsible for the implementation of the Government contribution to the project.
5. The UNDP undertakes to complement and supplement the Government participation and will provide through the Executing Agency the required expert services, training, equipment and other services within the funds available to the project.
6. Upon commencement of the project the Executing Agency shall assume primary responsibility for project execution and shall have the status of an independent contractor for this purpose. However, that primary responsibility shall be exercised in consultation with UNDP and in agreement with the Co-operating Agency. Arrangements to this effect shall be stipulated in the Project Document as well as for the transfer of this responsibility to the Government or to an entity designated by the Government during the execution of the project.
7. Part of the Government's participation may take the form of a cash contribution to UNDP. In such cases, the Executing Agency will provide the related services and facilities and will account annually to the UNDP and to the Government for the expenditure incurred.

(a) Participation of the Government

1. The Government shall provide to the project the services, equipment and facilities in the quantities and at the time specified in the Project Document. Budgetary provision, either in kind or in cash, for the Government's participation so specified shall be set forth in the Project Budgets.
2. The Co-operating Agency shall, as appropriate and in consultation with the Executing Agency, assign a director for the project on a full-time basis. He shall carry out such responsibilities in the project as are assigned to him by the Co-operating Agency.
3. The estimated cost of items included in the Government contribution, as detailed in the Project

¹⁰ Standard annex to project documents for use in countries which are not parties to the Standard Basic Assistance Agreement (SBAA).

Budget, shall be based on the best information available at the time of drafting the project proposal. It is understood that price fluctuations during the period of execution of the project may necessitate an adjustment of said contribution in monetary terms; the latter shall at all times be determined by the value of the services, equipment and facilities required for the proper execution of the project.

4. Within the given number of man-months of personnel services described in the Project Document, minor adjustments of individual assignments of project personnel provided by the Government may be made by the Government in consultation with the Executing Agency, if this is found to be in the best interest of the project. UNDP shall be so informed in all instances where such minor adjustments involve financial implications.

5. The Government shall continue to pay the local salaries and appropriate allowances of national counterpart personnel during the period of their absence from the project while on UNDP fellowships.

6. The Government shall defray any customs duties and other charges related to the clearance of project equipment, its transportation, handling, storage and related expenses within the country. It shall be responsible for its installation and maintenance, insurance, and replacement, if necessary, after delivery to the project site.

7. The Government shall make available to the project - subject to existing security provisions - any published and unpublished reports, maps, records and other data which are considered necessary to the implementation of the project.

8. Patent rights, copyright rights and other similar rights to any discoveries or work resulting from UNDP assistance in respect of this project shall belong to the UNDP. Unless otherwise agreed by the Parties in each case, however, the Government shall have the right to use any such discoveries or work within the country free of royalty and any charge of similar nature.

9. The Government shall assist all project personnel in finding suitable housing accommodation at reasonable rents.

10. The services and facilities specified in the Project Document which are to be provided to the project by the Government by means of a contribution in cash shall be set forth in the Project Budget. Payment of this amount shall be made to the UNDP in accordance with the Schedule of Payments by the Government.

11. Payment of the above-mentioned contribution to the UNDP on or before the dates specified in the Schedule of Payments by the Government is a prerequisite to commencement or continuation of project operations.

(b) Participation of the UNDP and the executing agency

1. The UNDP shall provide to the project through the Executing Agency the services, equipment and facilities described in the Project Document. Budgetary provision for the UNDP contribution as specified shall be set forth in the Project Budget.

2. The Executing Agency shall consult with the Government and UNDP on the candidature of the Project Manager¹¹ who, under the direction of the Executing Agency, will be responsible in the country for the Executing Agency's participation in the project. The Project Manager shall supervise the experts and other agency personnel assigned to the project, and the on-the-job training of national counterpart

¹¹ May also be designated Project Co-ordinator or Chief Technical Adviser, as appropriate.

personnel. He shall be responsible for the management and efficient utilization of all UNDP-financed inputs, including equipment provided to the project.

3. The Executing Agency, in consultation with the Government and UNDP, shall assign international staff and other personnel to the project as specified in the Project Document, select candidates for fellowships and determine standards for the training of national counterpart personnel.

4. Fellowships shall be administered in accordance with the fellowships regulations of the Executing Agency.

5. The Executing Agency may, in agreement with the Government and UNDP, execute part or all of the project by subcontract. The selection of subcontractors shall be made, after consultation with the Government and UNDP, in accordance with the Executing Agency's procedures.

6. All material, equipment and supplies which are purchased from UNDP resources will be used exclusively for the execution of the project, and will remain the property of the UNDP in whose name it will be held by the Executing Agency. Equipment supplied by the UNDP shall be marked with the insignia of the UNDP and of the Executing Agency.

7. Arrangements may be made, if necessary, for a temporary transfer of custody of equipment to local authorities during the life of the project, without prejudice to the final transfer.

8. Prior to completion of UNDP assistance to the project, the Government, the UNDP and the Executing Agency shall consult as to the disposition of all project equipment provided by the UNDP. Title to such equipment shall normally be transferred to the Government, or to an entity nominated by the Government, when it is required for continued operation of the project or for activities following directly therefrom. The UNDP may, however, at its discretion, retain title to part or all of such equipment.

9. At an agreed time after the completion of UNDP assistance to the project, the Government and the UNDP, and if necessary the Executing Agency, shall review the activities continuing from or consequent upon the project with a view to evaluating its results.

10. UNDP may release information relating to any investment oriented project to potential investors, unless and until the Government has requested the UNDP in writing to restrict the release of information relating to such project.

Rights, Facilities, Privileges and Immunities

1. In accordance with the Agreement concluded by the United Nations (UNDP) and the Government concerning the provision of assistance by UNDP, the personnel of UNDP and other United Nations organizations associated with the project shall be accorded rights, facilities, privileges and immunities specified in said Agreement.

2. The Government shall grant UN volunteers, if such services are requested by the Government, the same rights, facilities, privileges and immunities as are granted to the personnel of UNDP.

3. The Executing Agency's contractors and their personnel (except nationals of the host country employed locally) shall:

- (a) Be immune from legal process in respect of all acts performed by them in their official capacity in the execution of the project;

- (b) Be immune from national service obligations;
 - (c) Be immune together with their spouses and relatives dependent on them from immigration restrictions;
 - (d) Be accorded the privileges of bringing into the country reasonable amounts of foreign currency for the purposes of the project or for personal use of such personnel, and of withdrawing any such amounts brought into the country, or in accordance with the relevant foreign exchange regulations, such amounts as may be earned therein by such personnel in the execution of the project;
 - (e) Be accorded together with their spouses and relatives dependent on them the same repatriation facilities in the event of international crisis as diplomatic envoys.
4. All personnel of the Executing Agency's contractors shall enjoy inviolability for all papers and documents relating to the project.
5. The Government shall either exempt from or bear the cost of any taxes, duties, fees or levies which it may impose on any firm or organization which may be retained by the Executing Agency and on the personnel of any such firm or organization, except for nationals of the host country employed locally, in respect of:
- (a) The salaries or wages earned by such personnel in the execution of the project;
 - (b) Any equipment, materials and supplies brought into the country for the purposes of the project or which, after having been brought into the country, may be subsequently withdrawn therefrom;
 - (c) Any substantial quantities of equipment, materials and supplies obtained locally for the execution of the project, such as, for example, petrol and spare parts for the operation and maintenance of equipment mentioned under (b), above, with the provision that the types and approximate quantities to be exempted and relevant procedures to be followed shall be agreed upon with the Government and, as appropriate, recorded in the Project Document; and
 - (d) As in the case of concessions currently granted to UNDP and Executing Agency's personnel, any property brought, including one privately owned automobile per employee, by the firm or organization or its personnel for their personal use or consumption or which after having been brought into the country, may subsequently be withdrawn therefrom upon departure of such personnel.
6. The Government shall ensure:
- (a) prompt clearance of experts and other persons performing services in respect of this project; and
 - (b) the prompt release from customs of:
 - (i) equipment, materials and supplies required in connection with this project; and
 - (ii) property belonging to and intended for the personal use or consumption of the personnel of the UNDP, its Executing Agencies, or other persons performing

services on their behalf in respect of this project, except for locally recruited personnel.

7. The privileges and immunities referred to in the paragraphs above, to which such firm or organization and its personnel may be entitled, may be waived by the Executing Agency where, in its opinion or in the opinion of the UNDP, the immunity would impede the course of justice and can be waived without prejudice to the successful completion of the project or to the interest of the UNDP or the Executing Agency.

8. The Executing Agency shall provide the Government through the resident representative with the list of personnel to whom the privileges and immunities enumerated above shall apply.

9. Nothing in this Project Document or Annex shall be construed to limit the rights, facilities, privileges or immunities conferred in any other instrument upon any person, natural or juridical, referred to hereunder.

Suspension or termination of assistance

1. The UNDP may by written notice to the Government and to the Executing Agency concerned suspend its assistance to any project if in the judgement of the UNDP any circumstance arises which interferes with or threatens to interfere with the successful completion of the project or the accomplishment of its purposes. The UNDP may, in the same or a subsequent written notice, indicate the conditions under which it is prepared to resume its assistance to the project. Any such suspension shall continue until such time as such conditions are accepted by the Government and as the UNDP shall give written notice to the Government and the Executing Agency that it is prepared to resume its assistance.

2. If any situation referred to in paragraph 1, above, shall continue for a period of fourteen days after notice thereof and of suspension shall have been given by the UNDP to the Government and the Executing Agency, then at any time thereafter during the continuance thereof, the UNDP may by written notice to the Government and the Executing Agency terminate the project.

3. The provisions of this paragraph shall be without prejudice to any other rights or remedies the UNDP may have in the circumstances, whether under general principles of law or otherwise.
