

13 February 2015

Ref: 10/GGGI/2/15**Department of Climate, Energy and Environment****NORAD**

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Attention: Anne Beathe Tvinnereim**GGGI Management Response to the Report of Global Green Growth Institute (GGGI)
Indonesia Program Review 2012-14**

On 2 December 2014, the GGGI Indonesia received the final drafted report on the GGGI Indonesia Program Review 2012-14 and submitted the factual comments to the report by the requested deadline of 4 December 2014, for which we appreciate such opportunity.

This technical review is an important contribution to continue to improve our operations and ensure long term sustainability of our Program in Indonesia. We welcome the recommendations and have included these in the submitted Phase 2 Proposal. While we noted that most of our factual comments have been incorporated into the revised final report GGGI Indonesia received on 23 January 2015, there are factually inaccurate statements remaining and we have taken this opportunity to address these in the enclosed response.

Thank you very much for the opportunity to offer our response and we look forward to your continuing support.

Yours sincerely,



Dr. Imran Habib Ahmad
Country Portfolio Director

Enclosures: GGGI Response to the Report of Global Green Growth Institute (GGGI)
Indonesia Program Review 2012-14

CC: Yvo de Boer, Director-General
Robert Dawson, Deputy Director-General of M&A

GGGI Response to the Report of Global Green Growth Institute (GGGI) Indonesia Program Review 2012-14

Overall, GGGI welcomes the positive review of our program in Indonesia, especially our work at the subnational level and integrity in the management of our funds. In particular, the improved management of our funds answers the issues raised in an earlier assessment of effectiveness of internal controls related to the financial management in Indonesia, conducted by Deloitte. We also welcome the recommendations for improvements that links with, and supports, Phase 2 of the Green Growth Program in Indonesia and have included these in the Phase 2 Proposal. We view this technical review as an important contribution to the continuing progress that GGGI, as a new organization in its establishment phase, has made and continues to make toward becoming a mature institution that is prudently managed according to a clear set of rules and regulations that are comparable with other international organizations. GGGI also welcomes this review as a means to improve operations and strive to achieve long-term sustainability of the Program.

1. GGGI Management Response to the Individual Findings

A. Executive Summary

1. **Review Report:** (Page 1) It is stated in the report that “an additional limitation was that during much of the review, GGGI were not willing to give the team access to consultancy and salary rates”.

GGGI Response: GGGI has transparently shared the salary ranges of all staff by providing the Staff Regulations and Staff Rules which can also be found on GGGI’s website: <http://gggi.org/gggi-regulations-policies-guidance-notes/>. GGGI also shared the cost ranges of in-house consultants as well as the value of consulting contracts with PwC and SNV, the two main consulting firms supporting the Program. The reviewers were also given GGGI’s financial report for FY 2013 and Deloitte’s independent financial audit (FY 2013) which includes details of outsourcing administrative costs, consultants and other costs. These documents were shared on 10-11 Oct 2014.

2. **Review Report:** (Page 2 footnote 2) “GGGI does not transparently share and report its budget allocation for activities with BAPPENAS unlike ESP 3, World Bank and others”.

GGGI Response: Indonesia as a member of GGGI Council has approved the GGGI Work Program and Budgets, which includes the GGGI Indonesia Work Program and Budgets.

3. **Review Report:** (Page 4) “Although the tools have not yet been used directly by the government themselves, and mainly applied by consultants, the tools have

stimulated discussion on alternative interventions within projects and demonstrated an alternative route to “brown growth” planning. However there is very limited evidence to suggest, as per the outcome, that these tools may or may not drive investments towards green growth”.

GGGI Response: The purpose of the tools is to identify the social and public goods benefits associated with green growth interventions, it does not directly drive investments towards green growth but helps decision makers make more informed decisions.

4. **Review Report:** (Page 5) The report states that “although awareness of Green Growth has been heightened primarily at the sub-national level through various GGGI events, progress in the analysis and planning of specific green growth interventions remains limited, and for the most part has been carried out by consultants, with review and feedback by government counterparts”.

GGGI Response: The context in which this remark appears implies criticism of the approach, however, the reviewer neglects that this is a typical mode of operating with development assistance. As the reviewers themselves mentioned in other sections of the report GGGI Indonesia is a young Program and has had to rely on substantial consulting support for output delivery while it builds its own capacity. Additionally, GGGI globally is in the process of building internal capacity in four focus areas (energy, green cities, water and land use) in order to enable GGGI to deliver the recently approved strategy.

5. **Review Report:** (Page 5) “Very little progress has been made on enhancing capability in the medium to long term, although a draft capacity building strategy is now available”.

GGGI Response: Long term capacity building has always been a medium to long term plan, as by definition these are not short-term interventions. Therefore, it is very unrealistic to expect substantial progress in the first year or two of a new Program. GGGI feels that the initial phase has appropriately been devoted to scoping, needs assessment, and strategy development.

6. **Review Report:** (page 6) “There is a need for stronger programme management in order to produce reports that can monitor financial inputs against program results. This is both in terms of the quality of the results framework and the financial management system. Although all of the conditions previously identified by Deloitte have been fulfilled, there has been a significant delay at GGGI headquarters in launching the new ERP system, now planned for June 2015, and this is creating a significant gap in the monitoring and reporting capacity of the Indonesia program”.

GGGI Response: The deployment of ERP modules in GGGI is a continuous roll out approach. In November 2014, HR sub modules were successfully launched and Project sub module, particularly Project Master file will be launched in February 2015 for the Project Managers to commence data entry and reporting. The other sub modules of Project and Procurement will be launched in late March 2015 and the

full solution will be on June 2015. Please note that the current system (IS/EMAX) has already been in place and is in operation to provide monitoring and reporting.

B. Report Findings

1. **Review Report:** (Page 9) The report suggests to “move away from consultation with key stakeholders at national level to concrete collaboration to improve strategic leverage for change at the results level, especially in mainstreaming tools into existing planning processes”.

GGGI Response: GGGI accepts that moving towards sub-national engagement and concrete collaboration will strengthen the program and demonstrate results, at the same time there is a need to continue consultation at the national level to mainstream green growth into national planning and work to achieve transformational change.

2. **Review Report:** (Page 23) Recommendation for outcome B section 4.2.1 suggests that the Program should “strengthen collaboration with key private sector....this may include...the Indonesia Investment Coordinating Board (BKPM) and the Fiscal Policy Office (BKF)”. The report also notes (Page 22) that GGGI has had limited engagement with private sector on eCBA.

GGGI Response: For clarity, both BKPM and BKF are not private sector players but Government of Indonesia agencies. Engagement with the private sector has started in Phase 1 as the Indonesia Chamber of Commerce and the Indonesia Banking Associations are a part of the Program’s Steering Committee. On the eCBAs, the Program primarily works with GoI agencies to integrate green growth concepts into planning and thus follow their lead in selecting projects. The eCBA is a tool to identify the societal and public goods benefits associated with green growth interventions. Thus, the priority is to make the government aware of the existence of these public monetary benefits and green growth investment opportunities. Nonetheless, GGGI has collaborated extensively with one private sector actor on one of the eCBAs on peatland restoration to demonstrate the need to establish a quantitative base for formulating regulatory incentives to drive private green investment.

3. **Review Report:** (Page 24) “GGGI are helping to establish the priorities and processes at local level to develop a pipeline for funds to flow to support REDD+ initiatives. This has been done through support to DDPI in both provinces”.

GGGI Response: The unit named DDPI is only relevant to East Kalimantan.

4. **Review Report:** (Page 29) Recommendations: 6.2: “The current results framework is weakly structured, overall the indicators are not specific enough to provide a good measurement of results, and there is no specific identification of risks in relation to results”. “There is a need to streamline the hierarchy of outputs to outcomes”.

Recommendation: 6.3 Quality of monitoring and reporting Quality of monitoring and reporting to date there has been a lack of result based reporting and consequently it is challenging to extract incremental progress from reports.



GGGI Response: The Indonesia team as well as the Embassy of Norway have discussed methods for improving the results framework. Given the relatively short period until the Program ends, it was mutually agreed not to revise the current framework but concentrate efforts to improve the results framework of Phase 2 of the Indonesia Program.

GGGI is also in the process of building the capacity, strengthening the systems, and establishing the reporting mechanisms, for robust management of the results framework. The job description of an existing staff position in Organizational Delivery Unit (ODU) has been revised and a recruitment is underway to focus on the strategic level results and strengthening GGGI-wide efficiencies. This staff member will develop an indicator handbook and lead training exercises to develop the capacity of staff to use the results indicators as tools in monitoring the relevance, effectiveness, efficiency and impact of GGGI initiatives.

GGGI's strategic impact, as stated in the Strategic Plan 2015-2020, is to help "GGGI member countries move towards a model of green growth that simultaneously achieves poverty reduction, social inclusion, environmental sustainability, and economic growth". Ten indicators are described in the Strategic Plan and these are generated from GGGI's intended outcomes and outputs. During the first quarter the impact indicators, outcomes and output statements will be refined taking into account several factors: (i) progress on the UN's Strategic Development Goal's (SDGs) which already align well with GGGI's Strategic Impact; (ii) the Country Planning Framework (CPF) to ensure GGGI's strategic results continue to align closely with the members' needs; (iii) discussions and capacity building exercises with the operational staff to refine the wording and focus based on their on-the-ground experience.

The GGGI Strategic Results are based on the project level results from GGGI's portfolio of projects. Each project that has been included in the 2015-16 Work Plan and Budget (WPB) has a detailed logical framework identifying the project's intended impact, outcome, output and activities (i.e. project-level results framework). Currently, these are being reviewed to strengthen the wording and hierarchical linkages necessary to demonstrate attribution, with special attention to ensuring that the indicators for each level that are specific, measurable, achievable, relevant, and time-bound (SMART). In addition, the baseline information for the indicators is being reconfirmed and cross-checks are being made to ensure that outputs are not duplicated or double counted between divisions (e.g., on bankable projects). The project results frameworks are nested in the GGGI strategic results framework with project-level impacts aligning with the GGGI strategic outcomes.

To allow GGGI to manage for results, all the frameworks and results are being compiled into the 3GI Connect enterprise resource planning system, which will allow management the ability to track progress against the 2015-16 WPB by project, country, portfolio, etc. in real time. Extensive work is underway to compile the information, train the staff and identify the reporting required to meet the needs of management. The system will allow reporting on utilization of inputs (disbursements and staff), achievement of results, status of risks, projects in LDCs, or projects with specialized focus on poverty or gender.



5. **Review Report:** (Page 35) The report states that “bi-weekly calls are used instead of the development of project management reports to save time”.

GGGI Response: The reviewers have misunderstood the purpose of the leadership calls. These calls are used as a means to share high level progress of the outputs between GGGI and its consulting firms. The leadership calls are not a means of replacing project management reports that form an important part of the consultant’s deliverables to GGGI and are milestones for contract payments.

6. **Review Report:** (Page 35 footnote 110) ”GGGI HQ Human Resources HR Regulations peg personnel costs and benefits (housing, education, hardship, etc.) for Staff to UN system of professional and general category wages. However, there is no clarity on guidelines/process of deciding which job descriptions and designs come under each category for which the UN has a guideline and council. According to job design and description is it decided to 'reserve positions for nationals only', especially for engagement heavy work with governments”.

GGGI Response: The statement is factually incorrect as all job descriptions advertised for the GGGI Indonesia office do not specify staff positions as only being available to national applicants. The requirements of any staff position are based on the job descriptions and to date have been open to both Indonesian nationals and international applicants. GGGI has standard job descriptions for all positions in GGGI. Prior to starting the recruitment, all positions have to be approved through a hiring requisition process that ensures the job description matches the requirements of the staff category/grade requested for. Also, checking of funding availability for the position is done as well.

7. **Review Report:** (Page 35 footnote #111) “Everything is then recorded and tracked through an on-line system called Hallogen which is administrated by HR. GGGI has an employee handbook and half year and yearly evaluations with their line managers for employees”.

GGGI Response: As discussed with the reviewer, only the Indonesia staff work targets are recorded and tracked through Hallogen. The work targets of the in-house consultants are tracked by an excel file managed by the Country Representative.

8. **Review Report:** (Page 35 footnote #113) The report states that “hybrid is the term used by GGGI for their collaborative model of working with consultants”.

GGGI Response: The statement is incorrect as the term also includes collaboration with Government of Indonesia.

9. **Review Report:** (Page 36 footnote #119) The report states that in “March 2013 GGGI recruited one staff member, another in June 2013, and 2014 and one additional staff member recruited from Aug to work on procurement”.

GGGI Response: This is factually incorrect as GGGI has explained to the reviewers, two staff were recruited in April 2013, one staff was recruited in Sept 2013 and 2 staff were recruited in Jan 2014. GGGI Indonesia has a total of 5 staff whilst others are in-house consultants.

10. **Review Report:** (Page 37 footnote #130) “It is noted that in two years with changes in financial system so often, changing into a new system will come with initial inefficiencies and will start providing benefits when it has been fully set up, piloted, people have been trained and data has been backtracked for past two years”.

GGGI Response: GGGI ERP Project Steering Committee agreed on 25 July 2014 that the data migration strategy are as follows: (i) Finance Date: Keep the previous data via EMAX and ERP will start with the opening balance of 2015; (ii) Budget Data: Council approved 2015 budget will uploaded; and (iii) Grant/Project Data: Upload currently open Grants and projects.

11. **Review Report:** (Page 38) In the report it is written that “HQ is in process of opening a local Indonesian bank account through the Korean Exchange Bank”.

GGGI Response: GGGI would like to highlight that it is not in the process of opening a bank account in Indonesia but is in the process of evaluating the need and benefits to have the local bank account opened.

12. **Review Report:** (Page 38 footnote 135) “Internally, finance manager’s report almost on a daily basis, provide a weekly cash report, a monthly financial report sent to GGGI management internally, reviewed, revised and sent to GGGI HQ who reviews, revises and sends it back for uploading into the system. There is a 6-weekly meeting with the HQ also. Petty cash reconciliation - weekly basis. A cash book and petty cash expense report are reviewed by Finance department on a monthly basis”.

GGGI Response: The reviewers’ understanding of reporting schedule is incorrect. We would like to highlight that the finance officer (not manager) reports on a weekly and monthly basis (not daily). Additionally, there is a weekly conference call with the HQ finance team and not every 6 weeks as written in the report.

13. **Review Report:** (Page 39) “Indonesia as member was signatory and subsequently ratified GGGI as an International Organization in September 2014. Until then, Indonesian staff were employed on in-house consultant contracts which, made them solely responsible for paying their own taxes”.

GGGI Response: We wish to clarify that Indonesia was a signatory to the Agreement establishing GGGI as an International Organization, and that Indonesia subsequently ratified the Agreement in September 2014. We also wish to note that the second statement is factually incorrect and contradicts other statements made within the report (footnote 119). GGGI has a total of 5 staff which were hired between 2013 and 2014 and a number of in-house consultants. As per the Staff Regulations and Staff Rules, only staff in the professional and executive categories can get tax reimbursement. Consultants are not entitled to the same benefits and therefore are responsible for paying their own taxes.

14. **Review Report:** (Page 39) “GGGI is in the process of hiring a legal firm for a long-term engagement on such issues, and in the process of hiring a tax firm to ensure that all taxes due to Indonesia are paid whilst privileges and immunities are agreed. GGGI has spoken to lawyers in the past but there is no lawyer currently looking



into transfers of in-house consultants onto staff contracts and considering privileges like lebaran bonus and health insurance for which they are not covered under current contracts”.

GGGI Response: We wish to clarify that the legal firm is in the process of being engaged to assist GGGI to comply with its employer’s duties in Indonesia (e.g., taxes, etc.) while GGGI and Indonesia are in the process of considering an agreement on immunities and privileges.

15. **Review Report:** (Page 39) “There is a need to expedite the process for ERP implementation in GGGI HQ as this is now a high priority. This process was initiated after the Deloitte Review and initiated in March/April 2014 but has been delayed. The estimated date for a fully functioning system is 1st June 2015. This is influencing the ability of the Indonesia program to effectively monitor and report expenditure in relation to results”.

GGGI Response: GGGI planned for the deployment of ERP modules in a continuous roll out approach to June 2015. This is now in a steady path focusing on delivery. Please note that the current system (IS/EMAX) has already been in place and in operation for monitoring and reporting.

16. **Review Report:** (Page 39 - Footnote 140) “The delivery schedule of ERP modules in 2015 will be staggered to June 2015”.

GGGI Response: Continuous roll out of ERP modules to June 2015.

17. **Review Report:** (Page 44) The report recommends GGGI “to move away from consultation with key stakeholders at national level to concrete collaboration”.

GGGI Response: The distinction between consultation and collaboration is unclear. If this means investing more in joint implementation at the national level, then this appears to contradict other recommendations to focus more on provincial and district levels. Secondly, no reasons are given for why more collaboration at national level should be desired.

18. **Review Report:** (Annex 2 List of documents consulted)

GGGI Response: The following documents were provided to the reviewers and have not been included in the list of consulted documents despite reference to the documents were found within the report.

Type	Document	Category
Regulations	Financial Regulations	Finance & Procurement
Regulations	Procurement Rules	Finance & Procurement
Regulations	Staff Regulations and Staff Rules	Human Resources
Policy	Anti-Corruption Policy	Ethics
Policy	Conference Attendance Policy	Ethics
Policy	Disclosure Policy	Governance



Type	Document	Category
Policy	Finance Policies and Procedures Manual	Finance & Procurement
Policy	Individual Consultants Policies & Procedures	Finance & Procurement
Policy	Learning and Development Policy	Human Resources
Policy	Policy for Assembly, Council and Sub-Committee Document Clearance	Governance
Policy	Policy on English Language Contracts	Management
Policy	Policy on Opportunities for Visiting Persons to and from GGGI	Human Resources
Policy	Policy on Representation Expenses	Human Resources
Policy	Policy on Use of GGGI Allocated Car Parking Facilities	Administrative Services
Policy	Policy on Use of GGGI Logo and Sponsorship	Management
Policy	Travel Policy for Members of the Governance Organs of the GGGI	Governance
Policy	Whistleblower Policy	Ethics
Guidance Note	Guidance Note on DG Approval Process	Management
Guidance Note	Guideline on Gift Acceptance	Management
Guidance Note	Guidelines for GGGI Anti-Corruption and Whistleblower Policies	Management

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