Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 22-Jan-2020 | Report No: PIDISDSC24352

Public Disclosure Authorized

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Indonesia	P166672		ID: Jambi Sustainable Landscape Management Project (J-SLMP) (P166672)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
EAST ASIA AND PACIFIC	Jan 20, 2020	Nov 15, 2019	Environment, Natural Resources & the Blue Economy
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Finance	Ministry of Environment and Forestry	

Proposed Development Objective(s)

The program's proposed development objective is to improve sustainable landscape management that reduces land-based GHG emissions in Jambi.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	13.50
Total Financing	13.50
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	13.50
BioCarbon Technical Assistance Trust Fund	13.50

Environmental Assessment Category	Concept Review Decision

B - Partial Assessment	Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Seventy years after independence and more than a decade of political and institutional reforms, Indonesia has emerged as a stable democracy**. With a population of 250 million living across over 6,000 inhabited islands, Indonesia is the world's fourth most populous nation, the tenth largest economy in terms of purchasing power parity, endowed with remarkable natural resources from its land and seas, and the only Southeast Asian member of the G-20. It has made significant gains in poverty reduction with its poverty rate more than halved from 24 percent at the time of the Asian financial crisis down to 11 percent by 2014. For a decade up until 2015, it had a growth rate of about 6 percent annually, an active private sector and a burgeoning middle class. Its adult literacy is almost 95 percent and life expectancy at birth increased from 68 years in 2002 to 71 years in 2012.

2. **Indonesia's achievements are now showing signs of stress, with a slowdown in its commodity driven economy, stagnant rates of poverty reduction and rapidly rising inequality**. Growth has slowed down to 5 percent in 2016 and projected at 5.2 percent in 2017. This has translated into a slowing down of the rate of poverty reduction, with a near zero decline in 2015 and a 0.4 percentage point decline between September 2015 and September 2016 to 10.7 percent. Indonesia is also home to the world's highest rate of deforestation, which has a disproportionate impact on the poor with those inside and around forest areas having twice as high poverty rates (26 percent inside Forest Estate) compared to the national average. Deforestation also contributes significantly to greenhouse gas (GHG) emissions.

3. **While many factors impact growth, the commodities sector, which has weakened globally, is significant**. Prices of key commodity exports have fallen by 40 percent since their 2011 peak, contributing to a current account deficit since 2013. The economic tailwinds of the past decade—rapid growth among Indonesia's key trading partners, particularly China, high commodity prices, and significant growth in consumption of an emerging middle class—have now become headwinds. Indonesia therefore is focusing on shifting its economy away from its dependence on commodities towards one that depends much more heavily on productive sectors and services. The National Government's Mid-term Development Plan (RPJMN 2015-2019) reflects its strategy to meet these development challenges by focusing on human and community development, narrowing the income gap through increased productivity and poverty reduction measures, and increasing development without environmental degradation.

4. **Nonetheless, despite a general downturn in agricultural commodity prices (including palm oil), Indonesia's pulp and paper and palm oil industries have grown substantially.** Supported by Government policy and fiscal incentives, expansion of plantation area as well as

smallholder production has been significant, while a growth strategy based on intensification has not received strong support. Since 2000, the national production of oil palm has increased fourfold and is expected to continue to grow. This expansion is one of the main causes of forest conversion, including in lowland peat forests.

Sectoral and Institutional Context

5. **Unsustainable management of Indonesia's landscapes has negative implications for the sustained economic outlook for the country and is a major threat to global climate.** Roughly two-thirds of Indonesia's annual GHG emissions come from land use change, setting it apart from other countries in the East Asia region. Much of this land use change has been driven by the industrial production of agricultural commodities, notably oil palm, and forest plantations. Reoccurring seasonal fires on peatland are particularly egregious and significantly contribute to Indonesia's ranking among the world's top ten emitters overall, and the largest emitter when considering the land sector alone. During the height of the 2015 fires, Indonesia's fire-related daily emissions were greater than the daily emissions from the entire E.U. economy, costing the country's economy over US$16 billion. Such patterns will make it difficult for Indonesia to meet its emissions reduction targets as well as protect the poor who stand to suffer most from the impacts of climate change.

6. **Indonesia's natural ecosystems are under threat from inadequate management and weak governance. Achieving sustainable management will require scalable solutions at the landscape level that balance the needs of multiple, and often competing, users**. Inadequate management and weak governance of land, forest and water resources jeopardizes the role that these resources can continue to play in supporting the nation's economic growth. Rapid natural resource-based growth coupled with weak governance have resulted in environmental degradation and economic losses that impact quality of life and increase inequality, particularly for the 50 million people living in and around forests. Renewable natural resources are being depleted faster than they can be replenished, a pattern that will jeopardize Indonesia's future economic growth particularly for rural economies, and in turn impede continued reductions in poverty and inequality. Solutions to Indonesia's natural resource management challenges lie in better management of resources at the landscape level.

7. **Indonesia's forests are globally significant due to their extent, biodiversity and carbon storage capacity.** The country is home to the world's third-largest tropical forest, an estimated 94 million hectares of natural and planted forests representing 52 percent of Indonesia's total land area. These forests contain 17 percent of the world's bird species, 16 percent of reptiles and amphibians, 12 percent of mammals, and 10 percent of plants. Indonesia's forest also serves as one of the world's most important carbon sinks, sequestering and storing significant quantities of carbon in both above-ground forest biomass and below-ground peat soils. Much of Indonesia's forest resources are found within the "Forest Estate", the 66 percent of the national land mass managed by the Ministry of Environment and Forestry (MoEF) for conservation and forestry-related purposes.

8. **The Government of Indonesia (GOI) has made significant international commitments to reduce Indonesia's GHG emissions, and recognizes that the primary source of these emissions is the land use and forestry sector**. At the Conference of Parties meeting in Paris in 2015, the GOI pledged to reduce its GHG emissions by 41 percent by 2030 with international assistance (29 percent with its own resources). According to Indonesia's Nationally Determined Contribution (NDC), submitted

in 2016 under the Paris Climate Agreement, emissions from the forestry sector, including peat fires, made up 49 percent of national emissions in 2010. For Indonesia to reach its commitment of a 41 percent reduction below business as usual emissions (BAU) in 2030, it will need to decrease emissions by 1,082 Mt CO_2e, with 60 percent of this target expected to come from the forestry sector (Table 1).

Table 1: Emissions & Emission Reduction Targets to meet national 41 percent commitment, by sector

Sector	2010 Emissions ($MtCO_2e$ and % of total)		2030 BAU Emissions ($MtCO_2e$ and % of total)		Target Emissions ($MtCO_2e$)	Emission Reductions ($MtCO_2e$)	% Reduction from BAU	% of ER target
Energy	453	34%	1,669	58%	1,271	398	24%	37%
Waste	88	7%	296	10%	270	26	9%	2%
IPPU*	36	3%	70	2%	66	3	5%	0.3%
Agriculture	111	8%	120	4%	116	4	3%	0.4%
Forestry**	647	49%	714	25%	64	650	91%	60%
Total	1,334	100%	2,869	100 %	1,787	1,082	38%	100%

Source: Indonesia's NDC, 2016, *Industrial Processes and Product Use, **Forestry emissions include peat fires.

9. **To achieve these emission reduction targets in the forestry and land use sector will require significant decreases in deforestation and acceleration in land rehabilitation**. The assumptions in the calculation for the 41 percent national target in the NDC include a reduction in average annual deforestation from 920,000 hectares to 450,000 hectares from 2013 to 2020, and a further reduction to 325,000 hectares annually from 2021 to 2030. This means 87 percent of GOI emissions targets are expected to be achieved through REDD with 95 percent reductions from forest and peatland policies up to 2020. The calculation further assumes that by 2030 a total of 2 million hectares of peat can be restored, with a survival rate of 90 percent, and that 12 million hectares of land can be rehabilitated through a planting rate of 800,000 hectares per year. These underlying assumptions reveal the scale of the challenge and the need for significant and effective policy changes as well as investments and financial incentives to maintain and boost land productivity while reducing forest loss and degradation.

10. **An annual snapshot assessed by the Ministry of Finance in 2011 (BKF, 2011) found that a close to US$1 billion is flowing for climate finance**. The most of it comes from domestic finance sources (66 percent) and the rest from international support. This is consistent with allocated budgets from MoF in the range of US$870 million in 2015. While most (51 percent) of this finance was for the land use sector, only 0.5 percent went to sub-national governments, meaning funds are not reaching to those who need it the most to implement activities on the ground. Furthermore, the scale of finance needed to meet emission reduction targets is much larger - in the range of US$70.5 billion (1.69% of total budget ~US$7.5 billion to US$15 billion per year) for 2012-2020 (Min of Finance, 2015) for 26 percent emission reduction from the business as usual scenario (BAU) and upon reaching targets, approximately another US$13.5 billion-US$25 billion thereafter from 2020-30 to reach 29% emission reductions from BAU. The analysis of needs and financing gaps by the Indonesia Mitigation Fiscal Framework 2012 estimated to be US$6 billion – US$11 billion per year from public finance and US$7.5 billion–US$14.2 billion per year from private sources. This is a gross underestimate, and only half the story. No adaptation financing needs have been estimated for Indonesia yet. However, losses largely

due to adaptation have been assessed by the World Bank in 2009 are in the range of 6.1 percent to10.6 percent of GDP. The cost of fire alone, was 2 percent of GDP in 2015 as per World Bank estimate.

REDD+ and Indonesia's progress toward "REDD+ Readiness"

11. **Most of the international climate finance to incentivize emissions reductions in the land sector is expected to come through results-based payments linked to REDD+**. The REDD+ mechanism forms an integral part of the 2015 Paris Climate Agreement and was initially introduced in the negotiations of the United Nations Framework Convention on Climate Change (UNFCCC) in 2005. First major decisions of the Conference of Parties (COP) under the UNFCCC on REDD+ were adopted in Bali (COP-13, 2007) and Cancun (COP-16, 2010), and the 'Warsaw Framework' (COP-19, 2013) defines the basic international architecture for REDD+. The principal idea of this mechanism is to channel international climate finance to forested developing countries in the form of payments for measured, reported and verified emissions reductions as an incentive to reduce emissions. The Paris Agreement also included scope for a market-based mechanism linked to REDD+, the detailed modalities for which are currently being developed under the UNFCCC.

12. **International results-based payments for reduced emissions from land require an enabling framework (often referred to as "REDD+ Readiness")**. This framework principally includes a carbon accounting system that allows emissions to be monitored in a transparent and rigorous manner. To have a reference for payments, countries need to have the capacity to develop a historical emissions baseline ("reference emissions level") based on agreed methodologies and a forest monitoring system that allows the periodic measurement, reporting and verification (MRV) of emissions going forward. In addition, countries need to develop a mechanism to distribute the proceeds from carbon payments ("benefits sharing mechanism"), put in place a system that keeps track of emissions reduction (REDD+ registry) and report on safeguards, and create a platform to meaningfully engage stakeholders.

13. **Several multi-lateral initiatives have informed the development of the international REDD+ architecture in important ways through piloting an operational framework.** Specifically, the Forest Carbon Partnership Facility (FCPF) was created in 2008 as a multi-lateral initiative managed by the World Bank to promote REDD+ readiness in partner countries and to pilot an incentive mechanism that would leverage results-based payments for REDD+ at scale (having pioneered such carbon finance at the project level for more than 10 years). In 2013, the Bank together with several development partners also created the Initiative for Sustainable Forest Landscapes (ISFL) under the existing BioCarbon Fund trust funds to widen the scope for emissions reductions from forests to the wider landscape (i.e. to include agriculture and pastures). A key objective of the ISFL is to support countries in decoupling commodity production from emissions. Indonesia is participating in both programs and seeks to access results-based finance from them. In addition, many have been supporting Indonesia in this space for some time, most notably Norway through funding of up to US$1 billion to support Indonesia's REDD+ efforts. This is part of a bilateral agreement on "Cooperation on Reducing GHG Emissions from Deforestation and Forest Degradation," which was signed in 2010.

14. **Indonesia has made significant progress toward national REDD+ Readiness**. Following COP13, Indonesia has been an active participant in REDD+ negotiations and in important international REDD+ programs, including the FCPF Readiness Fund and the UN-REDD Program. In 2010 the country signed the above-mentioned bilateral agreement with Norway. Significant progress has been made in developing the necessary enabling environment for REDD+, which has included the core

components of REDD+ readiness noted above. The Bank – through resources provided by the FCPF Readiness Fund since 2013[1] – has allowed Indonesia to make important progress and effectively engage with the international community on REDD+. In September 2017, Indonesia presented its Readiness Package to the Participants Committee of the FCPF, which is an important and internationally recognized milestone towards REDD+ implementation centered around a comprehensive assessment of progress. The FCPF Participants Committee (representing 47 REDD+ countries and 29 donor countries) commended Indonesia for the progress made to date and encouraged Indonesia to take important steps towards REDD+ implementation at the sub-national level. This includes strengthening the framework to mitigate potential environmental and social risks associated with REDD+ implementation and the effective implementation of the ongoing policy reform process in relation to forests.

15. **Indonesia has begun developing and implementing policies and programs to address key drivers of forest loss and degradation**. In 2011, the GOI developed a National Action Plan to Reduce GHG Emissions (*Rencana Aksi Nasional Penurunan Emisi Gas Rumah Kaca*, or RAN GRK), the umbrella plan to reduce emissions in accordance with Indonesia's Nationally Determined Contribution (NDC) under the Paris Agreement, of which REDD+ is an important component. In 2012, the GOI launched the National REDD+ Strategy which aims to ensure that forests are a net carbon sink by 2030. The overall objectives of this strategy are to: (i) improve overall forest and land governance as a precondition for sustainable forest management; (ii) implement sustainable forest and land use management; and (iii) achieve the carbon and co-benefits of the sustainable forests and land use system. So far, the main actions taken by the GOI to address the drivers include a moratorium on the issuance of new land use licenses on primary forest and peat land, a temporary moratorium on the issuance of new oil palm licenses, efforts to improve land administration (the One Map Initiative[2]), reviews of concession licenses, creation of an agency tasked with restoration of over 2 million ha of degraded peat, and the implementation of small scale REDD+ pilot activities. MOEF, under DG-CC, who is leading the drafting of a regulation for Environmental Economic Instruments including a climate change funding mechanism will house, channel and disburse funds for climate change (and other environmental) projects. This fund is in the form of the BLU – public service agency and will have a window for REDD+ and a mechanism to channel results-based payments.

16. **While continuing to advance the national framework, Indonesia is now shifting focus towards implementation of REDD+ programs at the provincial level, which has the potential to leverage significant payments for emissions reductions (ER) if successfully implemented**. Working at the jurisdictional (province) level is aligned with Indonesia's REDD+ readiness process and decentralization efforts, and provides an opportunity to demonstrate how policies, programs and systems can be strengthened to reduce emissions and improve natural resource-based livelihoods. In terms of scope, implementation through provinces facilitates coordination of district-level activities, while providing a sufficiently large accounting area with sizeable potential emissions reductions.

[1] The Bank has signed two Grant Agreement to support Indonesia REDD+ readiness. A first grant ($3.6 million from 2013-16) focused on the analysis of drivers of deforestation, strengthening the forest monitoring system and supported a Strategic Environment and Social Assessment for REDD+. A second grant ($5 million from 2016-19) provides resources to complete national REDD+ readiness and strengthening sub-national implementation capacity in two priority provinces, East Kalimantan and Jambi.

[2] The One Map Initiative allows the GOI to have a consistent, public, geo-referenced national inventory of all land parcels. The Initiative aims to clarify forest boundaries across the country which enables the emission reduction programs to be successfully designed and implemented.

Furthermore, following recent changes in Indonesia's decentralization process, the provinces play a renewed and important role in forest management, and consequently in REDD+ implementation. For example, provincial governments are responsible for the management of most of the Forest Estate (law no. 23 of 2014 on local government), in particular through their responsibility for most forest management units (FMUs or KPHs). These approaches are scalable to other provinces across Indonesia and can provide valuable experience to advance REDD+ implementation nationally. At the same time, capacities at the provincial level lag those at the national level and there is a need to continue to support the implementation framework and strengthen capacities at the provincial and sub-provincial levels.

Relationship to CPF

17. **The Program is aligned with the World Bank Group's Country Partnership Framework (CPF) for Indonesia (FY16-FY20).** The Program forms a key part of the sustainable landscape management engagement area identified in the CPF. This engagement area aims to improve management of, and benefits from, terrestrial natural assets. It includes support for policy reforms in land and forest governance and administration to reduce poverty, attract better investment, promote sustainable livelihoods and agriculture development and increase job creation, while maintaining the natural asset base. The Jurisdictional REDD+ Program will support the Sustainable Landscape Management engagement area.

18. **The Program is also consistent with the World Bank Group's strategic goals – to end extreme poverty and to promote shared prosperity with environmental, social, and fiscal sustainability and with GOI's Mid-Term Development Plan (RPJMN).** The RPJMN aims to improve the quality of human life and address disparity and inequality. The main objectives of the RPJMN are human being and community development, narrowing the income gap through increased productivity and poverty reduction measures, and increasing development without environmental degradation. The project supports REDD+ approaches that are pro-poor, including engagement of local people in forestland management, livelihood development, and equitable benefit sharing approaches.

19. **The Program is also consistent with Indonesia's Sustainable Landscape Management Program**. The Sustainable Landscape Management Program supports the GOI to better manage Indonesia's rural land, forest and water resources. The Program aims to address critical development issues with transformational action to reduce poverty, improve governance of natural assets (land, water, forest) and promote shared prosperity. The Program promotes an integrated approach to reduce competition between land uses and increase optimization of land and resource uses. The Program requires a holistic approach (across sectors) to tackle the underlying drivers of environmental degradation. The Program has three specific sub-programs: (i) Sustainable Management of Priority Lowlands Landscapes; (ii) Improved Land Information System; and (iii) Improved Fire Management. The REDD+ program would support all these three sub-programs.

C. Proposed Development Objective(s)

20. The program's proposed development objective is to reduce land-based greenhouse gas emissions and promote sustainable land-use in the selected provinces of Indonesia.

Key Results (From PCN)

The proposed Indicators for the Program include the following:

- Reduction of total GHG emissions from land-use (tonnes CO_2e/ year)
- Enhancement of carbon stocks (tonnes CO_2e/year)
- Area under sustainable land management in selected provinces (ha)
- Number of project beneficiaries (percent of which female)

A Results Framework will be prepared as part of the preparation of the operation (use of core sector indicators will be promoted to allow for aggregation of portfolio level).

D. Concept Description

Program Preparation Phase

21. The jurisdictional REDD+ Program includes support to program design and systems strengthening to build government capacity to access and utilize performance-based incentives for reduced deforestation, degradation and land use change. As such, the program will support analytics, capacity building, design of subprograms to test different incentives models and stakeholder engagement. Key analytical areas include land and resource tenure, understanding local drivers of deforestation and how best to address them, and legal, institutional and policy analysis and stakeholder assessments. There will be a strong focus on developing appropriate safeguards instruments including the finalization of the Strategic Environmental and Social Assessment (SESA) and Environmental and Social Management Framework (ESMF) and operationalization of safeguards instruments and capacity building, the development of feedback and grievance redress mechanisms (FGRM) all anchored in a stakeholder consultation process. There will also be support for finalization of GHG accounting and benefit sharing mechanisms, including capacity building for national and subnational REDD+ institutions and development/strengthening of appropriate mechanism for multi-sector coordination. Much of this work is being financed out of the existing REDD+ Readiness grant.

Program Implementation

22. The Program aims to reduce land-based GHG emissions in Selected Provinces. This will be achieved through: (1) strengthening policy and institutions, (2) implementation of sustainable land management practices, and (3) results-payments distributed in accordance with agreed-upon benefit sharing mechanism.

Component 1: Strengthening Policy and Institutions

23. The objective of Component 1 is to support organizational, policy, and institutional reform to support low-emissions development and REDD+ Readiness at the sub-national level. The objective will be achieved through: (i) Strengthening capacity of key institutions and stakeholders to effectively implement carbon emission reductions in each of the target commodities and sectors; (ii) Development of a conducive policy and regulatory framework for low-carbon development; (iii) Development of a provincial carbon accounting system which is in line with the national system; (iv) Establishment of a system of monitoring, reporting and verification (MRV) consistent with international practice at an appropriate scale and level; (v) Implementation of safeguard system and instruments; and (vi) Stakeholder consultation and communication campaigns to raise awareness and support for the program activities. The expected intermediate outcomes of Component 1 are:

- A process of institutional readiness to achieve and monitor emissions has been developed and is represented and budgeted in the RPJMD and in each Sector Strategic Plan in targeted provinces (East Kalimantan and Jambi).
- A fully operational safeguards instrument and mechanism for risk and impact management (to be further formulated in the ESMF) has been implemented which includes establishment of institutional arrangement for safeguards, a system for FRGM from stakeholders affected by land use and management changes, safeguards capacity building for key actors and Safeguards Information System for safeguards monitoring and reporting.
- An appropriate carbon accounting system, which is in line with the national system, has been completed and is in use for the province.
- A system of MRV consistent with national practice at an appropriate scale and level of rigor has been established and is being used to report progressive annual emission reductions.

24. **Sub-component 1.1: Institutional Strengthening**. This sub-component would support technical assistance to strengthen institutions, policies and capacities at the national, provincial and district level to incorporate low-carbon considerations in the planning, budgeting, policy design process and future implementation thereof. Key activities will include supporting cross-sectoral coordination and decision-making, strengthening institutional mechanisms to work with key government, private sector and civil society partners, and strengthening KPHs and communities to better manage forests and land. The aim will be to ensure that reforms are reflected and budgeted in the RPJMD and respective strategic sectoral plans.

25. **Sub-component 1.2: REDD+ Readiness Enabling Systems.** Based on initial assessments, there is a need to strengthen national and provincial systems including: (i) comprehensive and systematic accounting of GHG emissions; (ii) systematic monitoring of land and forest resources, reporting changes and verifying of emissions reductions; (iii) benefit sharing mechanism; (iv) implementing safeguards framework and instruments; and (v) establishing and operationalizing FGRM. Technical assistance will support both levels of government to meet the methodological requirements of ISFL and FCPF in developing and implementing these systems. For example, for the carbon accounting system, specific areas of focus include data collection, sharing and management, including supporting provincial and national institutions to collaborate effectively on data sharing and GHG inventory management. The monitoring system enables partners to track forest cover and land use change, and periodically estimate emissions through the implementation of the program. Moreover, monitoring results can be used to inform policy decisions and planning, and support management of land resources. A monitoring system is likely going to need multiple components or modules to track key variables of interest, such as encroachment in protected areas, land conversions (loss or restoration) or fires across different categories of land and land tenure. Activities in this area will focus on creating the institutional design for a reliable MRV system including provisions for changes in MRV methodologies that could affect results-based payments and for strengthening the capacities of institutions to conduct MRV activities.

26. **Sub-component 1.3: Policy and Regulation.** This subcomponent would support assisting the national and sub-national government to review policy and regulations to effectively implement ER activities. For example, the sub-component would support the GOI in the establishment of fiscal incentive system to channel funds to sub-national level and community to generate ER. It would assist provincial level policy formulation for the enforcement of various national policies such as the peat

moratorium. Policies and regulations for enhancing private sector participation in generating ER benefits would also be supported.

Component 2: Implementing sustainable land management

27. The objective of Component 2 is to support improved land management practices that lead to reduced emissions of GHGs. The objective will be achieved through the following key activities grouped as sub-components: (i) Activities that reduce emissions through sustainable forest management and biodiversity conservation within the Forest Estate; (ii) Support for improved spatial planning, estate planning, and the application of sustainable commodity and mining guidelines, leading to emission reductions from the estate crops and mining sectors; and (iii) Prevention, management and recovery of forest and land fire. The expected intermediate outcomes of Component 2 are:

- Reduced emissions from improved forest management practices and better protection of areas with high biodiversity within the forest estate
- Reduced emissions from the forestry (pulp/paper) and estate crop sectors (including rubber, oil palm, and coffee
- Reduced emissions from mining sector
- Reduction of forest and land fire and recovery of burnt over areas leading to emission reductions and improved carbon sequestration

28. **Sub-component 2.1: Improved Forest Management in Forest Estate.** A significant share of emissions is related to permanent loss of forests in conservation areas and protection forests, including in areas dominated by primary forests. Like in the rest of Indonesia, an important mechanism to improve management of forest in Forest Estate is through the devolution of forest management to the local level and the establishment of KPHs. Another cause of emissions, particularly in East Kalimantan, is logging practices that lead to forest degradation through residual damage. As such, the proposed interventions include: (i) mapping, boundary demarcation and zoning; (ii) social and community forestry; (iii) biodiversity conservation; (iv) restoration of degraded lands (including peat); and (v) decentralized forest management.

29. **Sub-component 2.2: Sustainable Private Sector Investments and Partnerships in improved Forest and Land Management.** This component focuses on GHG emission reductions from the forest in non-Forest Estate and estate crop sub-sectors. A significant portion of emissions is linked to the expansion of economically profitable commodities, notably oil palm, pulp/paper, rubber, but also coffee and others. At this early stage, potential ways to engage in these sectors include the effective engagement of smallholders, and the collaboration with important private sector producers, for example in concession management including pulp/paper, timber, mining and energy. The engagement will require a careful identification of viable entry points during preparation and the support of demonstration activities that can help incentivize the transition to sustainable production of these commodities (possibly through support to the implementation of certification schemes that assures sustainable practices). The success of this sub-component is expected to sustain the outcomes of the program beyond its life by mobilizing commitment and private resources on sustainable land management. This could be accomplished through private sector engagement and the technical assistance on sustainable land use planning under Component 1. Some of the key activities considered are: (i) Development and dissemination of productivity enhancing technology and farming practices (to promote intensification instead of area expansion); (ii) Value chain coordination, dialogue and capacity building (to promote and enforce sustainable practices); (iii) Development of supply chain management tools (to facilitate

compliance to certification standards including “no-deforestation and no-fire” sustainability aspects); and (iv) Support jurisdictional management tools by local government (to facilitate legal enforcement of “no-deforestation and no-fire” legislation. All such activities would be complemented by strong efforts to reduce overall deforestation, including limiting expansion.

30. **Sub-component 2.3: Forest and land fire prevention and management.** Fires contribute to the degradation and loss of forests and land, representing a significant source of Indonesia’s emissions (especially when occurring on peatland). Efforts to manage fires in Indonesia are almost entirely focused on suppression, which has proven expensive and of limited effectiveness. The GOI recognizes the need to build capacity for a risk-based, prevention-focused integrated fire management system at the provincial and national level. Efforts would focus on developing provincial, district and community systems and capacities for preventing and rapidly responding to fires, supporting alternatives to the use of fire for land preparation, and building awareness of the importance of preventing fires. The sub-component would support: (i) development of sub-national level fire prevention and management capacity including early detection of fire hazards, fire suppression at local level before it becomes an emergency, re-wetting areas, etc.; and (ii) provide mechanisms to provide incentives to community for their effective participation to generate benefits including supporting demand driven sub-projects for fire management, sustainable forest management, peatland management, livelihood activities, etc. The program preparation phase would further develop this sub-component and how the Program could most effectively support it given fledgling initiatives in other parts of the country and interest at the national level.

Component 3: Results-based Payments and Program Management

31. The objectives of Component 3 are to facilitate results-based payments in accordance with an agreed benefit sharing mechanism, as an incentive to improve land management, and effective and efficient management of the program. If successful, such results payments would sustain investments made under Component 2 and potentially serve to leverage additional resources for scaling those up. The objective will be achieved through the following key activities grouped as sub-components: (i) Results-based payments and benefits sharing; and (ii) Program management. The expected intermediate outcomes of Component 3 are:

- A Benefits Sharing Mechanism is tested for carbon and non-carbon benefits; and is delivering support for poverty reduction and improved livelihood opportunities in emerging local low carbon emissions economies.
- Bankable low carbon investment projects have been realized with renewed investments.

32. **Sub-component 3.1: Results-based payments and Benefits Sharing.** While the technical assistance and pilot activities under Component 2 are expected to generate benefits (including, and more importantly, non-carbon benefits), this component will focus on how to most effectively use future results payments for emission reductions to incentivize low-carbon action, and to direct them in a manner that reinforces effective models of intervention.

33. **Sub-component 3.2: Program Management**. The objective of this sub-component is to support effective and efficient management of the program activities. The sub-component will provide technical assistance to enhance procurement, financial and project management capacity.

	East Kalimantan	Jambi
Source of Finance	**FCPF Readiness Fund, FCPF Carbon Fund**	**BioCarbon ISFL**
Strengthening Policy and Institutions (component 1)*		$1.7m
Implementing Sustainable Land Management (component 2)**		$11.8m
Results-based Payments (component 3)	$110m (estimated based on initial estimates, as reflected in the LOI)	$70m (estimated based on initial estimates)

*$8.6m is already under implementation in East Kalimantan for component 1 related activities.
** GOI is to finance activities under component 2 in East Kalimantan.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Jambi Province is one of Indonesia's most forested provinces, home to significant biodiversity, and among Indonesia's most proactive provinces in terms of preparing for results-based finance for ERs. Jambi is located on the east coast of central Sumatra, covering 5 million ha of land. The province is divided into nine districts and two cities. Jambi's population is around 3.4 million, of which 0.6 million live in the provincial capital, Kota Jambi. The provincial economy is dominated by primary production, and the leading economic sector is agriculture, which in 2009 contributed 26.5 percent of Jambi's GDP. Close to half of this contribution came from plantation crops such as oil palm and rubber. The poverty level is approximately 8.4 percent, lower than the national average of 11.3 percent, with higher levels in urban areas.

Jambi consists of highland forest areas in the west, lowlands in the center, and peatlands and coastal mangrove forests in the east. Around 25 percent, or 1.2 million hectares, is natural forest . Overall, 87 percent of Jambi's forest (2.1 million hectares) is located within the designated Forest Area (Kawasan Hutan), which includes four national parks (Kerinci Seblat, Berbak, Bukit Tiga Puluh, and Bukit Dua Belas) as well as areas that are designated for forestry uses (including logging concessions (HPHs), industrial timber plantation concessions (HTI), conservation areas, and several types of community forestry concessions). Jambi's forests play an important role in supporting traditional forest-dependent communities, including the Talang Mamak, Orang Rimba, and Melayu, and several other indigenous groups. Jambi is also home to a number of protected species such as the Sumatran tiger (critically endangered), Asian tapir (endangered), Sumatran elephant (critically endangered), and Sumatran rhinoceros (critically endangered). Important ecological zones include mangrove forests, coastal forests, lowland forests, swamp and peatlands, and montane forests.

B. Borrower's Institutional Capacity for Safeguard Policies

The Jambi Province has the necessary foundations for reducing deforestation and emissions. These include significant political commitment by the Governor, progress in developing province-wide REDD+ frameworks and green development, and a supportive network of civil society and development partners. Jambi has established multi-stakeholder REDD+ institutions and developed SRAPs covering the period from 2012 to 2030 which have been integrated into the respective province-level Medium Term Development Plans (RPJMD). The SRAP was developed by the Jambi Regional Commission for REDD+, which consists of CSOs such as the Indonesian Conservation Community (KKI Warsi), Zoological Society of London (ZSL) and World Wildlife Fund (WWF), conservation companies such as Restorasi Ekosistem Indonesia (REKI),

representatives of governmental agencies such as the provincial planning agency (Bappeda), the provincial forest agencies, the provincial environmental protection authority, and experts from academia. Furthermore, Jambi has also made several commitments to low-carbon development and sustainable land use, including the ongoing advancement of the Green Growth Plan (GGP) for the province. The draft GGP currently envisions three strategies, including: 1) sustainable land productivity; 2) institutional capacity, access to development capital, and livelihoods utilizing environmental services; and 3) sustainable connectivity and value chains.

While such international and national commitments towards low-carbon emission development demonstrates high-level political commitments in the province, management of environment and social risks can potentially be complicated by the level of complexity of the issues (i.e. forest conservation, palm oil, tenure conflicts, etc.) and geographic coverage of the proposed project interventions. Furthermore, institutional capacities to adhere to international good practices may be limited at the sub-national level and these will be assessed as part of the ESMF preparation and future SESA development for the ER Program. On the basis of which, complementary institutional capacity strengthening measures will be proposed for financing under the pre-investment grant. In the longer term, such measures are expected to lay the foundation for sound and robust environmental and social management during the ER Program implementation.

C. Environmental and Social Safeguards Specialists on the Team

Krisnan Pitradjaja Isomartana, Environmental Specialist
Fajar Argo Djati, Social Specialist
Jaya Perana Ketaren, Environmental Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This policy is triggered given the need to consider the strategic environmental and social implications of a REDD+ program. Despite high level political commitments at the provincial level, the environmental and social risks are rated substantial, mainly due to social risks concerning social conflicts, particularly regarding access to land/tenurial rights and limited institutional capacities for law enforcement and sustainable management of land and natural resources. In addition, specific risks to vulnerable forest dependent communities, including Indigenous Peoples, both in terms of access to their land and natural resources have also been considered as part of the risk assessment. The project's environment category will be confirmed again during appraisal based on the risk assessments during project preparation. Currently it is a Category B project. The project is not financing large-scale,

unprecedented physical investments that imply highly negative environmental or social impacts.

Cumulative impacts, direct, and indirect environmental impacts are expected to be positive as the goal of the program is to reduce emissions of CO2 through reduction of deforestation and land degradation with additional benefits expected to globally important biodiversity. Potential negative environmental impacts to be considered are primarily related to risks of intensifying agricultural production or displacement to other regions of the country ("leakage") because of the increased enforcement or land-based regulations that could be put in place. Other environmental impacts could be related to pest management, forestry, and land-based investments in peat management / restoration that could include civil works with environment, health and safety issues that need to be considered in compliance with Bank policy and EH&S guidelines.

Social impacts are expected to be positive from reduced land degradation and flooding risk (in peatlands), lower pollution levels from decreased fires and improved air quality, as well as increased opportunities for sustainable nature-based production (non-timber income sources such as agroforestry, PES and eco-tourism). Potential negative social impacts that need to be considered as part of the SESA and ESMF include the risk of displacing incomes from enforcement of forest policies, establishment of protected areas, or reduced income from changes in support to cash crops that communities rely on but are counter to the REDD+ program objectives, for example small-scale palm-oil plantations. There may be additional concerns of stakeholders regarding lack of equitable access to benefits, law-enforcement, and tenure-security strengthening which may disadvantage certain groups with weak claims.

These potential impacts are being considered in a process of Strategic Environmental and Social Assessment (SESA). Some elements of this process have been carried-out in both provinces of focus of the program (and in other parts of the country as part of a comprehensive national REDD+ strategy) through

		a broad-based consultative approach with stakeholders that include civil society organizations, representatives of Adat and local communities, private and public-sector stakeholders and will continue to be strengthened through additional assessments and analysis as part of the SESA and ESMF finalization package (currently under procurement by the DGCC). The results of the SESA process will be presented in a document that outlines the key program elements, social and environmental risks and impacts considered, options chosen, and proposed mitigation measures of any Bank-finance linked activities (indirectly through carbon-reduction payments) will be included in an Environmental and Social Management Framework (ESMF) by appraisal. Inclusion of environmental and social measures to address TA and policy related activities in the ESMF will follow the World Bank's Interim Guidance on Safeguards for TA activities (dated January 2014), which covers screening, consultations and additional assessments on downstream risks and impacts as relevant. The SESA process will also serve as an instrument to assess environmental and social aspects of policy and regulatory reforms and enforcement related to the future ER Program and REDD+ more broadly. Relevant processes, including multi-stakeholder dialogues and consultations have been included in the Terms of Reference (ToR) for the SESA and ESMF.
Performance Standards for Private Sector Activities OP/BP 4.03	No	Not applicable as project implementing unit is not a private entity.
Natural Habitats OP/BP 4.04	Yes	This policy is triggered as the project will have implications for natural habitat conservation, restoration, and sustainable management that need to be considered as part of the SESA and ESMF preparation. Productive activities, and where they are focused as a result of a REDD+ program, could have long-term land-use implications and intensify production at expense of remnant natural habitats, among other issues that need to be considered. Enforcement measures meant to protect natural habitats (planned or implemented) can also accelerate or induce land conversion in anticipation of these

		measures. The SESA considers impacts to natural habitats as part of the options analysis and the ESMF will include provisions at the pertinent levels (policies, programs, or activities) that may mitigate impacts, and/or improve outcomes for natural habitats.
Forests OP/BP 4.36	Yes	This policy is triggered as the nature of a REDD+ project is strongly focused on forest conservation, restoration, and sustainable management. There are several levels of interventions that are considered in REDD+ programs that may have positive or negative implications for forest-dwelling peoples (including Indigenous Peoples) depending on how they are designed and implemented. Plantation or reforestation activities that would be considered under any results-based payment schemes supported by the project will have to follow Bank-policy in regard to certification or in the case of small-holders, time-bound action plans for achieving such standards. Forestry enforcement, concession, management, and protected area establishment would also need to consider the social and environmental implications as part of the SESA process and mitigation measures included in the ESMF (or Process Framework) as pertinent for limited access to forest resources.
Pest Management OP 4.09	Yes	Reforestation and plantation activities that are linked to the program may require pest management under the principle of integrated pest management (IPM). The ESMF will include measures that comply with Bank policy regarding storage, use, application, and disposal of any pesticides needed for program outcomes. Given this is a results-based payment system, the pertinent legal, institutional, and operational capacities of the country will be considered and any strengthening needed will be considered and included in the ESMF potentially as a Pest Management Plan if warranted.
Physical Cultural Resources OP/BP 4.11	Yes	Forested areas and ecosystems that are a focus of the project may have cultural importance or hold physical cultural resources that need to be considered as part of project design and implementation. The ESMF will include measures to evaluate resources, consult with pertinent cultural resources authorities in compliance with national laws and regulations, and involve stakeholders at the ground-level where project activities are implemented. Any construction or other physical activities that could be part of the program (as relates to institutional support or sub-project

		investments that could qualify as part of the payment scheme such as canal blocking or earth moving) will also need to follow ESMF provisions to consider chance find potential, the chance find procedure will be included accordingly.
Indigenous Peoples OP/BP 4.10	Yes	This policy is triggered given that Jambi is home to several groups of communities that could be categorized as Indigenous Peoples by both the Bank policy criteria and under national law. For example, Jambi's forests play an important role in supporting traditional forest dependent communities, including the Talang Mamak, Orang Rimba (People of the Forests), and several other forest-dependent communities. Both provinces have strong alliance with AMAN (Aliansi Masyarakat Adat Nusantara/ the Indigenous Peoples' Alliance of the Archipelago), the largest network of Adat communities in Indonesia. The project will include facilitation and policy development to promote tenure recognition of forest dependent communities, notably through the Social Forestry schemes. Such tenure recognition is one of the key pre-conditions to promote participation of these communities in sustainable land and resource management activities and to benefit from the future ER Program. The types and extent of impacts resulting from the program will be further considered in the SESA process which will inform the future ER Program design. Mitigation measures affecting these groups will be defined in the IPPF (Indigenous Peoples Planning Framework) in the ESMF, which sets out risk mitigation measures and procedures for free, prior and informed consultations with potentially affected Indigenous Peoples and local communities. The IPPF will be consulted with representatives of these groups prior to appraisal. Further consultations on the project's interventions, associated impacts, and measures to promote community participation will be undertaken as part of the future ER Program preparation through the SESA process and development of the Program's Benefit Sharing Plan (BSP). Such consultation requirements will also be equally applicable to TA and policy development activities which may be undertaken during project implementation.

Involuntary Resettlement OP/BP 4.12	Yes	This policy is triggered in anticipation of access and land use restriction risks. Some aspects of the REDD+ program may limit access to resources due to establishment of protected areas, enforcement of existing ones, or other types of restrictions to land-use. Resettlement risks are considered very remote as the GOI commits to ensuring amicable conflict resolution for tenure settlements and at the same time, seeks to facilitate social forestry schemes to enable forest dependent communities to obtain tenure security. Such risks will be considered as part of the SESA process and on the basis of risk assessments, a Resettlement Policy Framework and/or a Process Framework (PF) will be prepared as part of the ESMF. A grievance mechanism will be included in the project to ensure that stakeholders have access to recourse if provisions of these safeguards instruments are not appropriately implemented or other grievances arise that need to be addressed as part of project implementation.
Safety of Dams OP/BP 4.37	No	This policy is not triggered as there are no works or other investments in the project that depend on a dam and its operation.
Projects on International Waterways OP/BP 7.50	No	The project will not support any activities linked to international waterways as defined by the policy.
Projects in Disputed Areas OP/BP 7.60	No	The project will not cover any area considered a disputed area per policy definition.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Jan 22, 2020

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

While the SESA process begun as part of national REDD+ Readiness processes ongoing since 2016, the safeguards related analytical studies and consultations started in 2011. The SESA process is most advanced in EK province while the Jambi activities associated with SESA are ongoing and expected to be completed by appraisal. A draft indicative ESMF has been prepared by the client based on expected activities that could form part of a results-based payment scheme.

Stakeholder consultations will be undertaken as part of the pre-investment grant preparation and will involve central and sub-national government agencies, civil society organizations and community representatives, including Indigenous Peoples and forest dependent communities. These consultations will be undertaken as part of the project design which will conclude prior to the project appraisal. Further consultations will be continued as part of the SESA process, which will conclude prior to the Emission Reductions Purchase Agreement (ERPA) appraisal. Stakeholder engagement and consultations during implementation will be embedded as part of the project activities.

The project's ESMF and its associated frameworks, including the Indigenous Peoples Planning Framework (IPPF), Resettlement Planning Framework (RPF) and Process Framework (PF), and Feedback and Grievance Redress Mechanism (FGRM) will be prepared to address specific investments under the pre-investment grant.

Future results-based ER Program will build on these framework instruments, including capacity strengthening measures financed under the pre-investment grant. Additional environmental and Social analysis of the forthcoming ER Program will be undertaken as part of the SESA process, which will be financed by the pre-investment grant.

CONTACT POINT

World Bank

Dinesh Aryal, Jan Joost Nijhoff
Sr Natural Resources Mgmt. Spec.

Borrower/Client/Recipient

Ministry of Finance

Implementing Agencies

Ministry of Environment and Forestry
Emma Rachmawaty
Director, Mitigation, DG-CC
e_rachmawaty@yahoo.com

Novia Widyaningtyas
Deputy Director, Mitigation, DG-CC
widyaningtyasnovia@gmail.com

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

APPROVAL

Task Team Leader(s):	Dinesh Aryal, Jan Joost Nijhoff

Approved By

Practice Manager/Manager:	Ann Jeannette Glauber	23-Jan-2020
Country Director:	Rolande Simone Pryce	27-Jan-2020