



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Indonesia	EAST ASIA AND PACIFIC	P173487	
Project Name	Agriculture Value Chain Development Project (PASAR-M)		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Agriculture and Food	Investment Project Financing	1/11/2021	3/31/2021
Borrower(s)	Implementing Agency(ies)		
Ministry of Finance	Ministry of Agriculture		

Proposed Development Objective(s)

The project will promote sustainable, inclusive and diversified agriculture production systems and value chain development in the selected project areas.

Financing (in USD Million)	Amount
Total Project Cost	220.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

Indonesia's food supply system to respond to an increasing demand for a more diverse range of foods among an increasingly urban population. Despite advances made in agriculture technology development, farm support programs have focused on rice and oil palm and have not substantially encouraged farm diversification, market-based production and value addition. This project will aim to support agriculture technology transfer, producer access to markets, value chain support services (including digital agriculture, marketing, e-commerce and finance/fin-tech), agro-entrepreneurship training, and landscape management.

D. Environmental and Social Overview



D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

Project will support nine provinces (West Java, Central Java, East Java, North Sumatra, Lampung, East Kalimantan, South Sulawesi, Southeast Sulawesi & West Nusa Tenggara) based on Minister of Agriculture Decree on Agriculture region, No. 18/2018. Salient characteristics of these provinces are very diverse. In Indonesia, climate is predominantly tropical: wet & dry seasons. Interventions on agricultural lowland areas, which in North Sumatra, Lampung & East Kalimantan are characterized by tropical peatlands, are important carbon sinks for global climate change mitigation & habitats of biodiversity importance.

Most of Indonesia population is in Java Island, located east of Sumatra Island & south of Kalimantan & Sulawesi, & west of Nusa Tenggara. Java is homogeneous in ethnic composition, mainly Javanese (Central & East Java), & Sundanese (West Java). The island has a number of Indigenous communities (IPs) such as Baduy, Tengger, & Sedulur Sikep tribes with traditional agricultural practices. Java rice lands are among richest in the world. North Sumatra & Lampung are in Sumatra island. North Sumatra is characterized by broad, low plain & mountain range in south & west. Lampung in southern tip has hills along west & south coast connected to Bukit Barisan mountain range & lowlands in center. Lampung & North Sumatera are multi-ethnic (Malay, Bataks, Lampungnese) and have IPs such as Pepadun in Lampung. East Kalimantan is in Borneo, known for timber & mining & is multi-ethnic & has IPs (Dayak Pampang). South Sulawesi is also one of Indonesia's rice granaries and home to Kajang tribe, an IP in the province. Southeast Sulawesi is home to Bajau, IPs living offshore on house stilts & other tribes (Bugis, Butonese, Muna) and has two mountain ranges. Lombok Island in West Nusa Tenggara is home to Sasak people & features straight coastline, mountains in central-eastern part & coastal lowlands in east, while Sumbawa Island has jagged coastline & hilly in central with limestone mountains.

Formation of farmer groups started in 1970s-80s during Mass Agriculture Intensification & is continually adjusted through revitalization of agriculture programs. In past, groups are commonly established informally based on common goals & for purpose of strengthening bargaining position, in collective purchasing of farming inputs & efficiently selling products. Currently, most groups are formed in response to government program requiring formation of groups to access subsidized fertilizer, financing etc. Elite capture is common issue that may exist in such groups.

Key environmental & social implications include mobilizing farmers into Farmers Producer Organizations; strengthening institutional capabilities to support agriculture transformation & lowlands development; development of integrated public investment plans; construction of small-medium scale value chain infrastructure in farm & off-farm aggregation, storage, marketing, rehabilitation of rural infrastructure; implementation of investments in low-lying peatlands & wetlands; support sustainable agriculture practices & livelihoods; support small-holders access to financing production & resilience through digital agriculture; improving polytechnics/ training center buildings; funding services for food safety; adoption of efficient production & processing technologies in plans & loan applications to reduce energy use & GHG emissions. Given some lowlands are characterized by peatlands, project seeks a landscape planning & management approach to support sustainable agricultural practices in existing areas which will improve community livelihoods, support peatland restoration & contribute to soil fertility. In terms of primary production, project will not increase existing agricultural footprint at targeted areas as it will avoid conducting activities in areas where peatlands/wetlands are protected by law or under moratorium, and it will not support involuntary land taking for infrastructure activities.



D. 2. Borrower’s Institutional Capacity

The Ministry of Agriculture (MoA) has previous experiences with the application of the World Bank’s Safeguards Policies through a number of investment projects that have been completed (i.e. FEATI - Farmer Empowerment through Agriculture Technology and Information, SMARTD - Sustainable Management of Agricultural Research and Technology Dissemination), and the ongoing SIMURP (Strategic Irrigation Modernization and Rehabilitation Project), being implemented by MoA together with the Ministry of Public Works and Housing (MPWH) as the executing agencies for the project. SMARTD implementation involved a dedicated safeguards team consisting of staff focal points at the Project Management Unit (PMU) to implement a set of Environmental Codes of Practices (ECOPs) for the construction of new and rehabilitation and upgrading of laboratories and field stations, including training and coaching given to Indonesian Agency for Agricultural Research and Development (IAARD) laboratory staffs on OHS and laboratory safety guideline and waste. In SMARTD project, the social safeguard performance was rated positively, mostly because the land acquisition due diligence process to confirm the ‘clean and clear’ status of land was adequately conducted at the project locations, followed by the submission of copies of the land certificate before construction works took place. No overlapping claims or conflicts were reported. However, improvements can be made on the land records inventory and establishment and management of grievance redress mechanism. Under SIMURP, a general workshop on safeguards aspect was held during the project launching that include the participation of all Project Implementation Units (PIUs) and the Indonesian Agency for Agricultural Human Resource and Extension Development of MoA who is focusing on Climate Smart Agriculture (CSA).

Through these ongoing and past projects, MoA is demonstrating that it is fully committed to implement the WB safeguards and ESF requirements, which include substantial efforts to strengthening its environmental and social management through capacity building and establishing a dedicated team of environmental and social focal points. A new institutional arrangement will be set up for PASAR-M to manage the environmental and social risks and impacts of the project and it may leverage on engaging with the units and/or persons under the SMARTD and/or SIMURP i.e. Indonesian Agency for Agricultural Research and Development (IAARD), Indonesia Agency for Agricultural Human Resource and Extension Development and Directorate General of Agricultural Infrastructure and Facilities, with involvement of the Director General of Facilities and Infrastructures under the MoA. However, continued support for the MoA and the PMU will be required for implementing PASAR-M, to not only ensure budget and resources are provided for managing and mitigating the environmental risks and impacts, but also to provide guidance, mentorship, supervision, and capacity building on introducing and applying the new World Bank Environmental and Social Framework (ESF) requirements. Furthermore, MoA will also need to ensure it has the capacity to involve the local governments at the district and village levels, as the local governments will be pivotal in implementing the project, especially when intensive coordination and efforts are required to work with the village governments.

Public Disclosure

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Substantial

Environmental Risk Rating

Substantial

Environmental Risk Rating is substantial. Project will bring positive environmental benefits through integrated public investments that support sustainable agriculture practices & fire prevention efforts that divert agriculture systems away from environmentally damaging crops. Landscape planning & management approach (interactions between



land, water & other natural resources) will also positively contribute to lowland/peatland conservation & reduction of carbon emissions. Project will not increase existing agricultural production footprint (of existing modified habitats) as it will avoid areas where peatlands/wetlands are protected by law or under moratorium.

The substantial risk is informed by consideration of potential risks associated with primary production activities & post-harvest operations: physical-chemical degradation of soils and soils loss; inappropriate use of fertilizers & excessive use of poor-quality water resulting in salinization; soil erosion and sedimentation; contamination of soils, groundwater & eutrophication of surface water resources from surface runoff, application of pesticides, feed/animal/processing wastes, & nutrient leaching; non-crop wastes & hazardous wastes; emissions & odors from machinery, fertilizers use, combustion of by-products & crop residues; & occupational health and safety through exposure to chemical & biological hazards, pesticides, animal disease-causing agents/pathogens (bacteria, fungi, mites, viruses). Number, type, & precise locations of each investments (respective to each other), are currently unknown, which may warrant cumulative impact assessments for a large number of small procedures within a collective watershed, and given the capacity & commitment of local governments & farmer groups on environmental risk management, particularly on use & disposal of toxic substances (pesticides, asbestos & e-wastes), are likely limited.

Small-medium scale constructions pose risks of hazardous substances/wastes (asbestos & electronic wastes), increased dust & noise; demolition & construction wastes; erosion & sedimentation; & risks to occupational & community health & safety, while TA activities (production technology, & digital agriculture) may involve potential downstream impacts associated with selection of locations & disposal of wastes, which should be mitigated in the investment plans.

These risks are precedented, predictable, medium in magnitude, mostly temporary, site specific & reversible. Mitigation measures can be designed in non complex & straight forward manner through implementation of Environmental and Social framework (ESMF). Once investments & precise locations are defined at implementation, ESMF will screen subprojects & exclude high risk activities (avoid: activities in peatland areas protected by law & moratorium, massive construction, procurement of asbestos & harmful agro-chemicals, genetically modified organisms, habitats of biodiversity importance etc). ESMF will provide guidelines & criteria when to prepare cumulative impact assessment; Environmental and Social Assessment (ESA) and/or Environmental and Social Management Plan (ESMP) at subproject level commensurate to risks. ESMF will also provide guidance on addressing risks associated with primary production activities and post-harvest operations including pesticides management, and also asbestos handling, electronic waste disposal, Environmental Codes of Practices (ECOPs) for small-medium civil works. ESMF will link to landscape planning & management approach & sustainable practices embedded in the project itself.

MoA is demonstrating full commitment to implement safeguards requirements. New institutional arrangement will be set up for PASAR-M to manage environmental risks & it may leverage on engaging with units under previous projects. Continued support for MoA & PMU will be required to establish a dedicated environmental & social team & capacity building to apply new ESF requirement.

Social Risk Rating

Moderate

Public Disclosure



The social risk rating is moderate by considering type of project and nature of its activities, as well as capacity of the implementing agency. Potential social risk include land acquisition for value chain related infrastructures for farm and off farm aggregation, and rehabilitation of key rural infrastructures, that are expected to be small to medium scale. It is expected that most of construction and rehabilitation works will be implemented on existing public land plots and/or within existing facility premises. Expropriation of property, physical displacement, and restriction on land use issues is not envisaged. In most cases, project activities will use land owned by Government. However, when Government's land is not available, the project may involve land under private ownership. Direct technical support to farmers such as adopting production technology, including improved breeds, would only be conducted in land owned by project beneficiaries.

Screening procedure will be prepared in the ESMF to address issue on land acquisition. ESMF will include requirements for project beneficiaries of farmers groups to only use their own land, and to avoid use of land under dispute. Site-specific ESMPs will identify the extent of land taking requirements for each location, social impacts associated with these, and potential modalities to manage land acquisition process in compliance with ESS5. Resettlement Policy Framework (RPF), including a Voluntary Land Donation (VLD) Protocol and willing buyer-willing seller protocol, will be provided in ESMF, as annex, consistent with ESS5.

Risks associated with labor influx is considered low as constructions are planned to be small to medium size, expected to mostly employ local labor, with a small number of labor that will be outsourced for specialized skills. As there are no major infrastructure works, the risk of Gender-Based Violence resulting from the project interventions is assessed as low. Child labor may become an issue as children could be found working in plantations in Indonesia, such as in rubber & palm oil that involves exposure to hazards (high temperatures, pesticides, & use of heavy machinery).

Eligibility criteria of the project beneficiaries is another potential risk. The challenges are related to the process by which the poor and vulnerable are included and mobilized into farmers' organizations to benefit from creating economies of scale for aggregation and facilitate groups to operate as a business entity that can negotiate with market. The project approach is to work with existing farmers associations and capitalize on existing social capital in rural areas such as farmer groups, women savings group, etc. Using existing social groups could be a pragmatic, effective, and useful way. But, there is risk of elite capture from the biggest and better politically connected farmers, vulnerable groups like small and landless farmers/farm labors being excluded. To mitigate this risks, ESMF, site-specific ESMPs and Stakeholder Engagement Plan (SEP) will include provisions to ensure, that the relevant groups are identified and involved in the project. With the ESMF, ESMPs and SEP's inputs, project design will determine clear eligibility criteria to reach main target groups. In general in the country, females are less involved in farm decisions-making than males. Thus, it is essential for the project design to include inclusiveness and involve vulnerable people (landless, women, indigenous peoples - IPs) in project activities. To address the risk of exclusion of IPs, an Indigenous Peoples Framework (IPF) will be provided in the ESMF as annex. Further assessment will be conducted when the exact project sites are determined in regards to IPs issue.

Although MoA is demonstrating commitment to dealing with risk management aspects, technical support from the Bank and establishment of a dedicated environmental and social team at the PMU and field levels will be essential.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered



B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

ESS1 is relevant. Project will bring positive benefits through improving community livelihoods as it supports small-holders production & resilience. Landscape planning & management approach, & support for sustainable agriculture practices in existing areas including peatlands/wetlands, will contribute to reduction of carbon emissions & peatland conservation. Implementation of integrated public investments will divert agriculture systems away from environmentally damaging crops (palm oil); support sustainable agriculture practices & fire prevention; enhance water infrastructure; develop value chain & food supply chain through advisory & market access; & develop critical market & feeder roads. These interventions would also entail potential environmental & social risk & impacts at subproject locations.

Potential adverse environmental & social impacts are associated with: i) primary production activities & post-harvest operations, including use of agro-chemicals; ii) construction and/or upgrading of value chain infrastructure (eg. barns, silos, vegetable processing, slaughterhouse, feeder roads, irrigation etc); iii) land acquisition for construction and/or upgrading works; iv) occupational & community health & safety during construction works (increased dust & noise, erosion & increased sedimentation, unsafe conditions and/or poor OHS practices, & exposure to hazardous materials; v) debris waste management, dismantling & demolition of buildings, removal of debris (asbestos) & electronic wastes); & vi) agricultural wastes from primary production and operation of post-harvest facilities.

Project will not increase existing production footprint, but will contribute to sustainable agricultural intensification. It will avoid areas where peatlands and/or wetlands are protected by law or under moratorium. Implementation of integrated public investments in peatland & lowland areas through sustainable agriculture will support carbon stocks & will divert agriculture systems away from environmentally damaging crops & support peat fire prevention. Through sustainable agriculture production in peatland areas, increase of production will also contribute to carbon emissions reduction without increasing agriculture footprint. Support for small-holder farmers production will be located on individual land plots of up to two hectares at discrete locations. Cumulative impacts may be applied where there are large numbers of small producers in one area. Screening & requirement for cumulative impact assessment will be provided in ESMF.

Potential downstream impacts from technical assistance will be directly mitigated through Terms of References (ToRs) and design of plans. Sustainable operation guidelines, that includes management of waste resulting from post-harvest operations (eg. farm processing & slaughterhouse) should also be integrated into investment plans supported by project technical assistance. Technical assistance also provides opportunity for inputs into designing of green activities & environmentally friendly investments which could additionally contribute to project sustainability. ESMF will provide guidelines for preparation of ToRs that must be reviewed and approved by the World Bank.

Risks associated with labor influx is considered low as constructions are planned to be small-medium size, expected to mostly employ local labor with few labor outsourced for specialized skills. Given no major infrastructure works, risk of Gender-Based Violence is assessed as low. Eligibility criteria for beneficiaries may constitute a potential risk. Challenges are related to process by which poor/vulnerable are included & mobilized into farmers' organizations.



There is risk of elite capture from biggest & better politically connected farmers, excluding benefits for poor/vulnerable such as landless-farm laborers.

The potential impacts will be managed through robust & well implemented framework, plans & mitigation measures established in Environmental & Social Commitment Plan (ESCP). ESCP will include commitment to prepare & implement a project level ESMF that provides a framework to mitigate potential environmental & social risks in accordance with ESSs requirements, as investments & precise subproject locations are not yet determined. Once defined, ESMF will screen subprojects & exclude high risk activities (i.e. avoid: activities in peatland areas protected by law & moratorium to prevent further degradation, massive construction, procurement of asbestos & harmful agro-chemical substances & genetically modified organisms, habitats of biodiversity importance etc.) & identify requirements & ToRs to prepare ESA (AMDAL, Analisis Mengenai Dampak Lingkungan) and/or ESMP (UKL-UPL, Upaya Pengelolaan Lingkungan-Upaya Pemantauan Lingkungan or SPPL, Surat Pernyataan Pengelolaan Lingkungan) commensurate to subproject risks. Based on good management practices & GIIP Guidelines, ESMF will provide triggering criteria for cumulative impact assessment, guidance on pesticide management, asbestos handling, electronic waste disposal, ECOPs (occupational health & safety) for small-medium scale civil works, screening of land belonging to farmers/beneficiaries, RPF, including VLD & willing buyer-wiling seller protocol, IPF, guidelines on sustainable agricultural practices & management of wastes from post-harvest operations, & Grievance Redressed Mechanism (GRM). ESMF will reference the project design (landscape planning & management approach & sustainable practices) & requirement in construction bidding to prepare & implement Contractor-ESMP. CESMP must be reviewed & approved by PMU & the Bank prior to start of construction. Upon activation of CERC during project implementation, description of new activities will be made available and ESMF will be updated as necessary to assess and mitigate risks of CERC activities.

A Labor Management Procedure (LMP) will be part of ESMF, & will include identification of risks associated with workforce: occupational health & safety, worker's accommodation, child labor, labor influx. As project will not involve major infrastructure, risk of Gender-based violence is low. Labor influx and GBV risks will be addressed through provision of codes of conduct for contractor management, GBV training for workers and communities, and other means proportionate to risk specified in bid documents. The project is committed to apply GoI labor laws and regulations including minimum age and employment terms and conditions to avoid risks on child labor.

To mitigate potential risk of elite capture, ESMF, ESMPs & Stakeholder Engagement Framework (SEF) will include provisions to ensure relevant groups are identified & involved in project design to determine clear eligibility criteria to reach main target groups. It is also essential for project design to be inclusive & involve vulnerable people (the landless, women, indigenous peoples) in project. IPF will prepared as ESMF annex to address risk to indigenous peoples. Further assessment on IPs will be done when exact subproject sites are determined.

ESMF will also provide guidance on institutional arrangements, roles & responsibilities, assignment of dedicated environmental & social teams, capacity building plan on new ESF requirements, & budget allocation to effectively implement ESMF, which further builds on MoA previous experiences in applying Bank safeguards requirements. ESMF will be consulted with project stakeholders & appropriately disclosed.

Areas where “Use of Borrower Framework” is being considered:

No.



ESS10 Stakeholder Engagement and Information Disclosure

Since the project locations are yet to be determined, a framework-level approach would be adopted, outlining general principles and a collaborative strategy and an engagement process in accordance with ESS10. A draft Stakeholder Engagement Framework (SEF) will be prepared by the implementing agency prior to Bank appraisal. The SEF will also include a guidance for doing public consultation/stakeholder engagement when there are constraints on conducting public meetings due to Covid-19. Where constraints are present, stakeholder consultation and engagement activities will need to be designed to be fit for purpose to ensure effective and meaningful consultations to meet project and stakeholder needs. The SEF will guide the development of a Stakeholder Engagement Plan (SEP) once the specific locations, stakeholders groups, and schedule of activities are known. SEP will be updated and implemented throughout the project life cycle. The SEP will describe the PASAR-M Project, identifies and analyzes its stakeholders, explains the opportunities for public consultation and grievance redress mechanism, and outlines commitments to periodically disclose information on the project's environmental and social performance. A wide range of stakeholders would be involved and include farmers/farmers group beneficiaries, government authorities both at national such as Public Works Ministry (for the irrigation component), Environment and Forestry Ministry (for the lowland component), and Trade Ministry (for agro-marketing, and import and export related regulations), provincial and district levels, and village government, women's group (such as farmer groups, women saving groups, private sectors, commercial financial institutions, buyer, etc.). Specific engagement requirements to ensure the inclusion of Indigenous Peoples will be provided in the SEP to accommodate meaningful consultation as outlined in ESS7. This engagement process will be in a culturally appropriate and inclusive manner by involving IPs communities' representative bodies, providing sufficient time for IP decision making processes, and allowing effective participation in the design of project activities or mitigation measures that could potentially affect them either positively or negatively.

As part of the project preparation and early implementation, the implementing agency would seek the views of stakeholders, including the identification of stakeholders and the proposals for future engagement. Detail identification will be conducted covering various individual or groups who are: i) directly or indirectly affected of likely to be affected, and ii) other interested parties. The SEP will help the MoA to build and maintain, over time, a constructive relationship with their stakeholders, in particular, the local beneficiaries and affected communities. Stakeholders engagement would continue to be a reiterative process during project implementation.

In the event that stakeholder engagement with local individuals and communities depend substantially on community representatives, the project implementing agency would make reasonable efforts to verify that such persons represent the views of such individuals and communities, and communication process is facilitated in an appropriate manner. A draft of the SEP and key risk and impact management document(s) will be disclosed prior to project appraisal on the implementing agency website and the Bank's website. The implementing agency would maintain and disclose a documented record of stakeholder engagement to date, including a description of the stakeholders that were consulted (dis-aggregated by gender), a summary of the feedback received and a brief explanation of how the feedback was taken into account or the reasons why it was not. This requirement will be established in the ESCP.



A stakeholder grievance mechanism (GRM), as part of SEF, will be established for the project to let stakeholders lodge a grievance or feedback for the project. Where feasible and suitable for the project, the grievance mechanism will use the existing local mechanism (formal and/or informal), supplemented as needed with project-specific arrangements.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

ESS2 is relevant. Agriculture production activities and construction works will involve small to medium number of workers and will most likely take advantage of recruiting local labor. Labor risks may include poor occupational health and safety work practices, substandard working conditions, child labor, labor influx, and possible conflict with local communities. The potential risks associated with labor influx is low as small to medium construction works would mostly employ local labor, with a small number of labor that will be outsourced for specialized skills that involve application of new technology or sophisticated equipment. Within the agriculture sector, children could be found working in plantations in Indonesia, such as in tobacco, rubber, and palm oil plantations that involves exposure to many hazards, including high temperatures, pesticides use, long working hours, and use of heavy machinery that are not accordance with OHS standards.

To mitigate the potential risks to labor and working conditions, LMP will be prepared as part of the ESMF which will identify the main risks associated with the project, the labor requirements, as well as the resources necessary to address the project labor issues, that will include establishing a workers' grievance redress mechanism. The LMP would describe (i) procedures relevant to each category of workers involved; (ii) overview of key potential labor risks; (iii) overview of Indonesia's labor legislation; (iv) description of grievance redress mechanism or mechanisms available for workers (and if relevant, to their organizations). This procedure will be followed by the contractors in managing their work forces and the same requirements will be applied also for the subcontractors' workers. The contractor may be expected to provide accommodation for workers at site depending on the number of non-local workers. Guidance will be established and implemented by the contractor to ensure labor accommodations are provided with sufficient space for resting and privacy, adequate supply of clean water, electricity and ventilation etc that are free of charge for the project workers. The objective of providing accommodation is to protect and promote the health, safety, and well-being of the project workers. To avoid risks on child labor in the project, the LMP will incorporate applicable GoI labor laws and regulations including the minimum age and employment terms in accordance with Law No. 13/2003 and Ministry of Manpower & Transmigration Decree No. KEP 235/MEN/2003 on Jobs that Jeopardize the Health, Safety and Morals of Children, and ESS2 on the requirements of child labor and minimum age.

ESS3 Resource Efficiency and Pollution Prevention and Management

ESS3 is relevant. The risks of pollution and harm to the environment may result from primary production activities and post-harvest operations that involve physical-chemical degradation of soils and soils loss; inappropriate use of fertilizers and excessive use of poor-quality water resulting in salinization; soil erosion and sedimentation discharges;



contamination of soils, groundwater and eutrophication of surface water resources from surface runoff, application of pesticides, feed/animal/processing wastes and nutrient leaching; non-crop wastes & hazardous wastes; emissions from machinery exhaust, fertilizers use, combustion of by-products and crop residues; as well as construction and demolition activities that generate wastes from constructing post-harvest and aggregation infrastructure, and improving polytechnic and training center buildings (general and hazardous wastes: scrap metal, used timber, rubble, debris, spoils, potential asbestos containing material, and electronic wastes).

The project level ESMF will provide guidelines and best practices on soil conservation and management, nutrient management, crop residue and waste management, water and wastewater management, pest management including use of pesticides, fertilizers application, mitigation of potential air emissions, and hazardous waste management (including electronic waste disposal and asbestos handling protocol), as well as general guidelines on disposal of small to medium scale construction and demolition wastes contained in Environmental Codes of Practices (ECOPs). Specific for construction works, the ESMF will screen requirement for ESA and/or ESMP and will include the requirements for appropriate sedimentation control and waste disposal practices for mitigating and preventing pollution from construction and demolition wastes, as well as requirements for a pest management plan (PMP). Waste management and pollution prevention measures will be further addressed in the waste management procedures prepared under the Contractor ESMP (CESMP). The requirements for implementing the ESMP during construction and preparing the CESMP will be specified in the bidding documents and contractor agreement. The CESMP will be reviewed and approved by the PMU prior to start of construction works. Contractor management, supervision and regular reporting mechanism will be required and specified in the ESCP. Management of operation waste will also be tackled through operational guidelines contained in the business/investment plans.

With regards to greenhouse gases (GHG), the project design will contribute to the reduction of carbon emissions by supporting the prevention of peatland fires through applying sustainable agricultural practices and divert away from environmentally damaging crops such as palm oil, as well as the adoption of more efficient production and processing technologies that reduce energy use and GHG emissions in business plans and commercial loan applications.

ESS4 Community Health and Safety

ESS 4 is relevant for subproject activities involving civil works (i.e. construction of post-harvest technology, and aggregation infrastructure, and improvement of polytechnic and technical centers) as well as use of agro-chemicals in the primary production activities. The potential risks and direct impacts to community health and safety will include temporary and site-specific increase of dust, noise, traffic/road safety from mobilization of equipment and machinery, potential exposure to disease-causing pathogens (bacteria, fungi, mites, viruses), noxious odors from application of pesticides and fertilizers, contamination of toxic substances into community's soil, water, and irrigation systems, and also risks associated with a low number of labor influx during construction. Once the project locations and activities are known, these impacts will be screened by the ESMF and then assessed by an environmental and social assessment (ESA) commensurate to the risks. Risks will be mitigated using an ESMP that includes, as relevant, traffic safety management, control of noise and odors, and/or a PMP at the subprojects levels to protect the community from health and safety risks. Mitigation efforts during construction will be the responsibility of the contractor and documented in the CESMP. The CESMP will include a suite of Standard Operating Procedures (SOPs) including site specific Emergency Response Plan (ERP), Occupational, Health and Safety (OHS) procedures/guidelines,



mitigation plans for reducing dust and noise. The requirements for preparing and implementing the CESMP during construction will be specified in the bidding documents and contractor agreement. The CESMP will be reviewed and approved by the PMU prior to start of construction works.

There could also be potential health and safety risks associated with interactions between non-local labor brought in to undertake construction activities and the local communities, including risk of Sexual Exploitation and Abuse (SEA)/Sexual Harassment (SH) or gender-based violence (GBV). Following WB Good Practice Note (GPN) for ESF in IPF Operations on addressing SEA/SH, as part of project preparation during community consultation, the assessment of SEA/SH will be undertaken by the project to understand the risk of exacerbation of SEA/SH at the community level and the capacity to prevent and respond to GBV. These SEA/SH risk will be assessed throughout the project's life-cycle by monitoring the situation, assessing the effectiveness of risk mitigation measures, and adapting them accordingly. The site-specific ESMP will define specific ways that SEA/SH risks are to be addressed in the project by identifying prevention and mitigation actions, such as through the provision of codes of conduct for contractor management, training on GBV for construction workers and communities, and other means proportionate to the risk specified in bidding documents. The SEA/SH risk mitigation plan for this project will follow GPN on addressing SEA/SH.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

ESS5 is relevant given the project will support construction activities for upgrading value chain infrastructure in farm and off farm aggregation such as drying facilities, warehouse, rice milling unit, storage, marketing, as well as the rehabilitation of rural infrastructure including irrigation systems and local roads, that are expected to be of small to medium scale. It is expected that most of the construction and rehabilitation works of the project will be implemented on existing public land plots and/or within the existing facilities's premises. Expropriation of property, physical displacement, and restriction on land use are not envisaged. In most cases, the project activities will use land already owned by the Government. However, in the case government's land is not available, the project may involve use of land under private ownership. Direct technical support to farmers such as adoption of production technology, including improved breeds, will only be conducted on land owned by project beneficiaries.

A screening and land due diligence procedure will be established in the ESMF to guide the project's implementing agency to assess risks related to use of the existing land. This includes the requirements for project beneficiaries of the farmer groups to only use their own land and that the land is not under dispute, and to assess the 'clean and clear' status of government land that is used for the proposed sub-projects that include the requirement for systematic land documentation. In the case the government land is found to have been illegally occupied, a Resettlement Policy Framework (RPF) will be prepared in the ESMF and will include a protocol for compensation processes and risk mitigation measures addressing impacts on informal occupants in line with ESS5.

In the event that government land is not available and/or additional land is needed, the project may acquire private land use through willing buyer-willing seller (voluntary land transaction) and voluntary land donation. In applying these schemes, a special care is required to ensure that the owners of the land must be able to retain the land and to refuse to sell or donate it, without the threat of compulsory acquisition, and is fully informed about available choices and their implications. Furthermore, prior due diligence will be required to avoid displacement of persons, other than



the sellers, who occupy, use and/or claim rights to the land in question. Land where there are disputes and/or where there are informal occupation by non-land owners will not be further processed. As part of the RPF, protocols for willing buyer-willing seller and voluntary land donation (VLD) schemes will be established to guide the implementing agency assessing the risk related to the implementation of these schemes.

Such willing buyer-willing seller and voluntary land donation approaches will only be applied under these specific circumstances: a) land requirement is small; b) no site-specific linear infrastructure where there is no alternative siting; and c) there are viable alternative locations available to the project. A specific protocol of a due diligence process for these approaches will be developed in the ESMF. Such protocols for the willing buyer-willing seller scheme will establish operational guidance to confirm that a) functional land market exists; b) the transaction has taken place with the owner's informed consent; c) the owner was aware that it was possible to refuse to sell, and would not be subject to compulsory acquisition; and d) the owner was paid a fair price based on prevailing market values. These conditions shall equally apply where third parties for example, land consolidators or aggregators, land developers, or other agents, are acting on behalf of a borrower. Under the ESMF, criteria applicable for voluntary land donation (VLD) will also be established. Such criteria will need to ensure that such a scheme is only allowed for small-scale donation with minor impacts on individual land user. An VLD will be included in the ESMF requiring the project implementing agency to demonstrate and document consultation process to ensure that key principles for VLD are fully adhered.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

ESS6 is relevant as the project's development objective seeks to accelerate the transformation and diversification of Indonesian agriculture into a market-led system through key investments. Hence, the project design and core intervention involves primary production and harvesting of living natural resources (i.e. farming and cultivation of plants or animals). The implementation of investments in existing agricultural areas (modified habitats) - peatland and lowland areas - through sustainable agriculture will be beneficial in maintaining carbon stocks, sustaining peatland habitats of importance and the ecosystem as this intervention will divert agriculture systems away from environmentally damaging crops (palm oil) and support peat fire prevention. The project seeks a landscape planning and management approach to support primary production and will not increase the existing agricultural footprint at the targeted areas as it will avoid conducting activities in areas where peatlands and/or wetlands are protected by the law or under the moratorium. Through the landscape approach and design, the project will consider the interactions between land, water and other natural resources, and ensure that the improvement of sustainable agriculture production will contribute to peatland conservation and avoid further degradation at the subproject locations.

Through the project design and support for small-scale producers, ESS6 requires the sustainable management of living natural resources through application of good management practices and available technology. These requirements have been directly embedded into the project components, which includes developing the capacity of stakeholders to accelerate technology adoption by building on the recently completed agriculture technology project (SMARTD); and support dissemination of production technology on improved breeds and development of seed systems. The project components also includes promotion of sustainable agriculture practices and livelihoods, including land and forest fire prevention; investment in sustainable production systems as a model of integrated



farming system development with improved production efficiency in agriculture; support value chain and food supply chain development through advisory and technology support; increase the adoption of advanced production technology; and promote the use and adoption of digital agriculture technology and services. The implementation of the project components towards achieving the development objective will materially support the ESS6 objectives of promoting sustainable management of living natural resources and support livelihoods of local communities.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

ESS7 is relevant given the exact subproject locations are yet to be determined. There is indication that Indigenous Peoples reside in the targeted provinces, which include the Sasak people in Lombok, Dayak in East Kalimantan, Mandar in South Sulawesi, and Bajau in Southeast Sulawesi. As the targeted provinces of the project are chosen based on Ministry of Agriculture Decree on Agriculture region (Permentan No. 18/2018) according to the main value chain products and commodities in the region, it is unlikely that Indigenous Peoples would be present in the exact location of the subproject considering that Indigenous People are not usually involved in commercial farming activities. However, as the information on the exact subproject locations is unknown at this stage, an IPF is proposed to be incorporated in the ESMF as an annex. Further assessment will be made during the appraisal stage when there is additional information on the exact subproject sites.

The project will assess and integrate aspects on IPs in the project activities through the following stages that will be outlined in the IPF: i) site screening to identify the present of IPs and to inform further engagement processes; ii) conduct consultation and engagement with IPs; iii) obtain free, prior and informed consent (FPIC) for circumstances outlined under ESS7; iv) conduct a social assessment as part of the ESMP process to understand the nature and scale of project's impacts; v) prepare an IP Plan (IPP), which may be integrated under site specific ESMP.

ESS8 Cultural Heritage

ESS8 is not relevant as the project activities will not open up new agricultural areas, but focus on existing farms and, which are unlikely to affect the tangible and intangible cultural heritage and/or access to known physical cultural resources such as structures of spiritual value to communities, objects and structures having high landscape values etc. To address unknown archaeological or historical remains and objects, including graveyards and/or individual graves, Chance Find Procedures (for infrastructure investments) can be assessed and included in the ESMF if needed and will be reassessed during appraisal.

ESS9 Financial Intermediaries

ESS9 is not relevant.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

No



OP 7.60 Projects in Disputed Areas

No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?

No

Financing Partners

N/A

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

- Environmental and Social Commitment Plan (ESCP)
- Stakeholder Engagement Framework (SEF)
- Environmental and Social Management Framework (ESMF)

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

- Appointment of dedicated environmental and social focal points assigned at the project level
- Resettlement Planning Framework (RPF), including Voluntary Land Donation (VLD) protocol
- Indigenous Peoples Framework (IPF)
- Labor Management Procedure (LMP)
- Pesticides Management Plan (PMP)
- Waste management procedures (demolition and construction wastes, asbestos protocol and electronic waste disposal)
- Setting up and maintaining an operational Grievance Redress Mechanism (GRM).
- Capacity building/training plan.
- Monitoring and reporting arrangements.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

11-Jan-2021

IV. CONTACT POINTS

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Public Disclosure



Borrower/Client/Recipient

Borrower: Ministry of Finance

Implementing Agency(ies)

Implementing Agency: Ministry of Agriculture

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s):	Jan Nijhoff
Practice Manager (ENR/Social)	Ann Glauber Recommended on 17-Jun-2020 at 11:23:9 EDT
Safeguards Advisor ESSA	Peter Leonard (SAESSA) Cleared on 22-Jun-2020 at 16:34:14 EDT