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Report No: PAD1692

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$6.33 MILLION

TO

SAMDHANA INSTITUTE INDONESIA
FOR A

STRENGTHENING RIGHTS AND ECONOMIES OF *ADAT* AND LOCAL COMMUNITIES
PROJECT

February 23, 2017

Environment and Natural Resources
EAST ASIA AND PACIFIC

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CURRENCY EQUIVALENTS
(Exchange Rate Effective January 13, 2017)

Currency Unit = Indonesian Rupiah (IDR)
IDR 13,331.5 = US\$1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AMAN	<i>Aliansi Masyarakat Adat Nusantara</i> (Indonesian Indigenous Peoples Alliance)
BIG	<i>Badan Informasi Geospasi</i> (National Geospatial Agency)
BPN	<i>Badan Pertanahan Nasional</i> (National Land Agency)
CBO	Community-based Organization
CDD	Community-driven Development
CLM	Community Land Mapping
CPF	Country Partnership Framework
CSO	Civil Society Organization
DA	Designated Account
DGM	Dedicated Grant Mechanism
DGM-I	Dedicated Grant Mechanism for Indonesia
DKN	<i>Dewan Kehutanan Nasional</i> (National Forestry Council)
ECOP	Environmental Code of Practices
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FIP	Forest Investment Program
FM	Financial Management
GHG	Greenhouse Gas
GoI	Government of Indonesia
HD	<i>Hutan Desa</i> (Village Forest)
HKM	<i>Hutan Kemasyarakatan</i> (Community Forestry)
HTR	<i>Hutan Tanaman Rakyat</i> (Community Plantation Forest)
IFR	Interim Financial Report
IP4T	<i>Tim Inventarisasi Penguasaan, Pemilikan, Penggunaan dan Pemanfaatan Tanah</i> (Team for Inventorying Land Claims, Ownership, Use and Utilization)
IPM	Integrated Pest Management
IRR	Internal Rate of Return
GRM	Grievance Redress Mechanism
IPLC	Indigenous Peoples and Local Community
KPH	Forest Management Unit
MoATR	Ministry of Agrarian and Spatial Planning
MDB	Multilateral Development Bank
MOEF	Ministry of Environment and Forests
M&E	Monitoring and Evaluation
MoHA	Ministry of Home Affairs
NEA	National Executing Agency

NSC	National Steering Committee
PMU	Project Management Unit
PNPM	<i>Program Nasional Pemberdayaan Mandiri</i> (National Program for Community Empowerment)
POM	Project Operations Manual
REDD	Reducing Emissions from Deforestation and Forest Degradation
SLMP	Sustainable Landscape Management Program
SOP	Standard Operating Procedure
UKL-UPL	<i>Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup</i> (Environmental Management Efforts and Environmental Monitoring Efforts)

Regional Vice President:	Victoria Kwakwa
Country Director:	Rodrigo A. Chaves
Senior Global Practice Director:	Karen Kemper
Practice Manager:	Iain G. Shuker
Task Team Leader:	Diji Chandrasekharan Behr Gayatri Acharya

INDONESIA: STRENGTHENING RIGHTS AND ECONOMIES OF ADAT AND LOCAL COMMUNITIES

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PAD DATA SHEET

Indonesia

Strengthening Rights and Economies of Adat and Local Communities (P156473)

PROJECT APPRAISAL DOCUMENT

EAST ASIA AND PACIFIC

GENDR

Report No.: PAD1692

Basic Information			
Project ID P156473	EA Category B - Partial Assessment	Team Leader(s) Diji Chandrasekharan Behr, Gayatri Acharya	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 15-March-2017	Project Implementation End Date 30-Jun-2021		
Expected Effectiveness Date 17-April-2017	Expected Closing Date 30-Jun-2021		
Joint IFC No			
Practice Manager/Manager Iain G. Shuker	Senior Global Practice Director Karin Erika Kemper	Country Director Rodrigo A. Chaves	Regional Vice President Victoria Kwakwa
Approval Authority			
Approval Authority Board/AOB Decision please explain The Board has approved the Global Dedicated Grant Mechanism (DGM) program and all subsequent DGMs are AOB.			
Recipient: Samdhana Institute, Indonesia			
Responsible Agency: Samdhana Institute, Indonesia			

Contact:	Cristi Nozawa	Title:	Executive Director
Telephone No.:	622518313947	Email:	cristi@samdhana.org

Project Financing Data(in US\$, millions)

<input type="checkbox"/>	Loan	<input type="checkbox"/>	IDA Grant	<input type="checkbox"/>	Guarantee	
<input type="checkbox"/>	Credit	<input checked="" type="checkbox"/>	Grant	<input type="checkbox"/>	Other	
Total Project Cost:		6.33			Total Bank Financing:	0.00
Financing Gap:		0.00				

Financing Source	Amount
Borrower	0.00
Climate Investment Funds	6.33
Total	6.33

Expected Disbursements (in US\$, millions)

Fiscal Year	2017	2018	2019	2020	2021	0000	0000	0000	0000	0000
Annual	0.1	1.00	1.90	2.25	1.08	0.00	0.00	0.00	0.00	0.00
Cumulative	0.1	1.10	3.00	5.25	6.33	0.00	0.00	0.00	0.00	0.00

Institutional Data

Practice Area (Lead)

Environment and Natural Resources

Contributing Practice Areas

Social, Urban, Rural, and Resilience Global Practice

Proposed Development Objective(s)

To improve the capacity of participating indigenous peoples and local communities (IPLCs) to engage in tenure security processes and livelihood opportunities from sustainable management of forests and land

Components

Component Name	Cost (US\$, millions)
Subgrants to Strengthen IPLC Capacity to Enhance Tenure Security and Improve Livelihoods	3.99
Inform Policy Processes and Dialogue	0.55
Project Management, Monitoring and Evaluation, and Institutional Development	1.79

Systematic Operations Risk-Rating Tool (SORT)

Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	Moderate

3. Sector Strategies and Policies	Substantial		
4. Technical Design of Project or Program	Moderate		
5. Institutional Capacity for Implementation and Sustainability	Substantial		
6. Fiduciary	Substantial		
7. Environment and Social	Substantial		
8. Stakeholders	Moderate		
9. Other			
OVERALL	Substantial		
Compliance			
Policy			
Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]	
Does the project require any waivers of Bank policies?	Yes []	No [X]	
Have these been approved by Bank management?	Yes []	No []	
Is approval for any policy waiver sought from the Board?	Yes []	No [X]	
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []	
Safeguard Policies Triggered by the Project	Yes	No	
Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04	X		
Forests OP/BP 4.36	X		
Pest Management OP 4.09	X		
Physical Cultural Resources OP/BP 4.11	X		
Indigenous Peoples OP/BP 4.10	X		
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Establishment and maintenance of a Project Management Unit		20-Jul-2017	
Description of Covenant			
The Recipient shall, by no later than four (4) months after the Effective Date of this Agreement, establish and thereafter maintain a Project Management Unit (“PMU”) throughout the implementation of			

the Project, under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers, with qualifications, experience and under terms of reference acceptable to the World Bank

Conditions

Source Of Fund	Name	Type
CIF	Adoption of Project Operations Manual	Effectiveness

Description of Condition

The Agreement becomes effective on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence that the Recipient has adopted the Project Operations Manual, in form and substance satisfactory to the World Bank. This must happen by the date ninety (90) days after the date of this Agreement unless the parties agree to a later date.

Team Composition

Bank Staff

Name	Role	Title	Specialization	Unit
Diji Chandrasekharan Behr	Team Leader (ADM Responsible)	Senior Natural Resources Economist	Natural Resource Economist	GEN2B
Gayatri Acharya	Team Leader	Lead Economist	Natural Resource Economist	GSU02
Achmad Zacky Wasaraka	Procurement Specialist (ADM Responsible)	Procurement Analyst	Procurement	GGO08
I Gusti Ngurah Wijaya Kusuma	Financial Management Specialist	Financial Management Specialist	Financial Management	GGO20
Ariphoerti Dwi Woerasingtjas	Team Member	Program Assistant	Administrative Support	EACIF
Fajar Argo Djati	Safeguards Specialist	Social Development Specialist	Social Safeguards	GSUID
Ina Pranoto	Safeguards Specialist	Senior Environmental Specialist	Sr. Environmental Safeguard Specialist	GEN2A
Lily Hoo	Team Member	Monitoring and Evaluation Specialist	Monitoring and Evaluation	GSUID
Nina Queen Irving	Team Member	Senior Program Assistant	Administrative Support	GEN2A
Rambat Sakwan	Safeguards Specialist	Social Development Specialist	Social Safeguards	GSUID

Ria Nuri Dharmawan	Counsel	Counsel	Legal	LEGES	
Chau-Ching Shen	Senior Finance Officer	Senior Finance Officer	Financial Management	WFALN	
Extended Team					
Name	Title	Office Phone	Location		
Shivakumar Srinivas	Land Specialist	0943760658	India		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Consultants (Will be disclosed in the Monthly Operational Summary)					
Consultants Required?	Consultants will be required				

I. STRATEGIC CONTEXT

A. Country Context

1. **Indonesia is endowed with the third largest tropical forest area in the world.** Indonesia's rural population accounts for 47 percent of the total population (or about 118 million people), nearly half of which (48.8 million people) live in or around forestland. The poverty rate in forest areas is 20 percent, double the national average. Many of Indonesia's communities have longstanding, direct, and multifaceted relations with natural ecosystems, relying on them for subsistence, livelihoods, and economic development. In 2013, nearly 55 percent of the population remained dependent on land for their subsistence. On average, 20 percent of household income for these communities is derived from natural resources. In some regions such as Papua this value is as high as 50 percent.

2. **Unclear land-use policies and land tenure is an underlying cause of deforestation and forest degradation.** Land governance in Indonesia is complex. De jure access and use of the forest estate¹ is controlled by the Ministry of Environment and Forests (MOEF) even though the National Land Agency (*Badan Pertanahan Nasional*, BPN) has the mandate for land titling, records, and other administrative functions. The dual system of land administration in Indonesia has resulted in overlapping land-related regulations and guidelines and ambiguous provisions regarding the management and administration of land and land-based natural resources. The resulting deforestation is of concern for Indonesia and the world, as the 94 million hectares of natural and planted forests are an important biodiversity habitat and an important global carbon sink. Tackling land tenure reform is a central part of the policies and regulations to be reviewed as part of Indonesia's strategy of Reducing Emissions from Deforestation and Forest Degradation (REDD+).

3. **The livelihoods of forest-dependent communities are also challenged by lack of tenure security.** In Indonesia, the allocation of large tracts of land in the form of long-term concessions for industrial agriculture, mining, hydropower, road building, and other industrial infrastructure has often disregarded customary land rights and tenure. Lack of tenure security

¹ According to Indonesia's Constitutional Court ruling, MK 45/PUUJIX/2011, the forest estate is land that is formally gazetted as forestland. The MOEF, however, defines the forest estate as land under its authority (some of which are yet to be formally gazetted). The forest estate that the MOEF oversees includes areas ranging from primary forest, agricultural land, and roads to human settlements. This forest estate is zoned as permanent forest for production, protection, and conservation purposes and convertible production forest which may be removed from the forest estate and allocated for other purposes such as estate crops, agriculture, mining, and settlements. The classification 'forest estate' does not accurately include all forests in Indonesia, as it does not recognize some lands that are no longer forested and does not include some areas that are forested. However, the vast majority of forests are included within the forest estate.

among indigenous peoples² and local communities (IPLCs) is a driver of poverty and social strife, in addition to an underlying cause of deforestation and environmental change. The situation is exacerbated by the fact that IPLC families who lose use rights or customary holdings seldom receive fair compensation from either the state or investors. Despite progress made in recent years, the complex forestland-use policies and land governance system have resulted in the Government rarely receiving sufficient concession or lease fees or other revenues that could be used for poverty reduction.

4. **Compounding the problem of tenure insecurity is the limited access that communities living in forested areas have to services.** Communities living within forested areas of the forest estate (this does not include communities living at the border of the forest estate or in areas around the forest estate) are often not assigned a village status and code. As a result, these communities do not receive public transfers such as the village fund (for example, *Dana Desa* or *Alokasi Dana Desa*). They also do not receive reliable flow of services from line ministries such as Health and Education. They only receive support from the MOEF. When these communities are recognized as a village—whether *adat* or regular—they are then entitled to receive the services provided in the Village Law and from other line ministries. Also, any community that is registered as an *adat* village can adopt a governance system that reflects their local customs.

5. **Efforts to reduce deforestation and poverty among forest-dependent households must sustain the forest system and augment tenure security.** This project has the opportunity to have broad impacts by leveraging recent Government initiatives with regard to climate change, forestland management, and land governance in Indonesia. Clarifying tenure rights will enable IPLC households to access technical assistance and investments to sustainably manage their natural assets, improve their livelihoods, and promote their needs and interests in policy discussions. Clear tenure and improved access to services will also address drivers of deforestation, and, over time, help mitigate greenhouse gas (GHG) emissions from forestland conversions.

B. Sectoral and Institutional Context

6. **The Government of Indonesia (GoI) is currently reviewing its policies that shape land governance.** Tenure security for the IPLC remains an issue because of the dual system of land administration in Indonesia, involving the MOEF and the BPN. National and subnational governments are beginning to take more decisions on demarcation of forestland areas and forestland allocation and considering its impacts on land and society. These are partly triggered by the judicial decisions of the Constitutional Court on the authority of the MOEF over the forest

² ‘Indigenous Peoples’ mean those social groups in the member country’s territory that have a distinct, vulnerable, social, and cultural identity; are susceptible to being disadvantaged in the development process affected by the project or any part thereof; and possess the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; (d) an indigenous language; (e) having a subsistence economy; (f) using simple tools and technology; (g) having a high dependence on the environment and local natural resources; and (h) having restricted access to social, economic, and political services.

estate, as large tracts have not been gazetted as forests, and on the legitimacy of the claims to land of indigenous peoples and *adat* customary communities. In line with this, the Government is reviewing the process for different forest tenure regimes. Overall, the better governance of forestland resources has become a priority, and multi-stakeholder dialogue has become possible, representing a major opportunity for engagement.

7. **There have been several national efforts to address land conflicts and unsustainable land use.** A key effort is focused on harmonizing base map data on land use through the Government's One Map policy initiative. The aim is to eliminate the use of different land-use reference maps and data by different ministries and reduce the occurrence of incongruous regulations being applied to an area. In addition, there have been several regulations issued to clarify the procedures for addressing issues related to land status and natural resource conflicts within the forest estate and specifying procedures for determining communal rights on customary land and for determining village authority.³

8. **In 2014, upon assuming office, President Joko Widodo made a commitment to strengthen the rights of IPLCs over land and forest resources.** Following this, the MOEF announced that 12.7 million hectares of forestland will be transferred to local communities by 2019 through a systematic process. The MOEF aims to achieve this target, which is part of the Government's five-year plan (2015–2019), through social forestry programs, which includes conferring rights under tenurial types such as community forestry (*hutan kemasyarakatan*, HKM); village forests (*hutan desa*, HD); community plantation forests (*hutan tanaman rakyat*, HTR); and customary forests (*hutan adat*), as well as forming partnerships for collaborative forest management (*Kemitraan*). MOEF has been revising some of the regulations and guidelines on social forestry programs. While MOEF has expressed its commitment to implement social forestry programs, there also is the need to ensure that adequate incentives are provided to process permits for these programs at the district and provincial level.

9. **At the local level, in response to the Government's commitment to transfer management of 12.7 million hectares of forestlands to *adat* and local communities, the Indonesian Indigenous Peoples Alliance (*Aliansi Masyarakat Adat Nusantara*, AMAN) and partners have been supporting communities to carry out participatory mapping of *adat* land.** They are also consolidating all the participatory land maps produced and are working to secure legal acceptance of these maps. Civil society groups report that by early 2016, nearly 7 million hectares of indigenous land (of which, 6.2 million hectares fall within the forest estate) have been mapped in approximately 760 locations in 19 provinces. These indicative indigenous land maps have been submitted on a regular basis, since 2012, to the MOEF and the National Geospatial Agency (*Badan Informasi Geospasi*, BIG) for necessary review, verification, and steps for inclusion in the Government's One Map registry. As part of the One Map process and

³ In 2014, an Interministerial Regulation No. 79/2014 was issued. It laid out procedures to address issues related to land status and natural resource conflict within Indonesia's forest estate. This regulation relates to farmland areas inside currently zoned forest estates and generally enables smallholders to seek tenure claims. Later, the Ministry of Agrarian and Spatial Planning (MoATR)/BPN issued Regulation No. 9/2015 elaborating procedures for the determination of communal rights on customary land and the land of communities in special regions allowing *adat* communities to secure collective legal rights over their territories, without subjecting them to complex administrative processes. The Ministry of Home Affairs (MoHA) issued Decree No. 44/2016 assigning district administrations responsibilities to identify and define village authority, including management of land and resources.

in support of mapping community land (including land held by *adat* communities), civil society groups have persuaded the Government to work with them on Standard Operating Procedures (SOPs) for participatory mapping of community lands.

10. **Many good local initiatives to strengthen tenure are, however, not getting enough support to be effective.** Several of these practices generally rely on voluntary intra-community or intercommunity and local government agreements and implementation. In the absence of sufficient support at the subnational levels, such initiatives have generated limited impacts for IPLC groups.

11. **While tenure security and clarity over rights is a necessary condition for improved livelihood, it must be accompanied with livelihood support to help reduce poverty.** There is evidence from research on social forestry that permits for community-based management need to be positioned within a broader effort toward community empowerment in forest management. In addition, for communities to derive benefits from land and natural resources within their territories, they need to have access to reliable information, market, decision-making process, and support networks.

12. **There are government programs that aim to provide livelihood support to local communities.** The MOEF has, as part of its Social Forestry and Environmental Partnership Directorate General, grant schemes that assist with livelihoods and enterprise establishment. These funds, however, come with restrictions on how they are used and scope, limiting the impact they have over the long term. The Village Governance Law 6/2014 (Village Law) commits the Central Government to transfer up to 10 percent of total intergovernmental grants in the state budget to villages in the form of village funds (*Dana Desa*). It also commits districts to contribute 10 percent of their own-source revenues, revenue-sharing grants, and general purpose transfers to the village budget. These funds are accessible to local communities that are registered as villages and have a government-assigned village code.

13. **IPLCs require a legal personality to avail of benefits from improved land management or financial compensation from REDD+ initiatives.** Communities must be registered as a village to access public funds such as *Dana Desa* and influence public services. The formal procedures for becoming a registered village requires recognition of existence for indigenous peoples before they can be a rights holder or be granted public administration through *Desa Adat*. The Village Law also allows for autonomous governance structures based on customary claims, with substantial opportunities to self-govern based on traditional laws and customs. According to Presidential Regulation (*Perpres*) No. 6/2009 (a regional government bylaw on land rights of those *adat* communities with a traditional governance system in accordance with Article 28 of the Indonesian Constitution), a land map of that specific land area known as *Peta PERDA Tanah Ulayat* will have to be developed. The local regulation (PERDA), which is issued following compliance with several procedural requirements, allows the respective *adat* group to move from a community bound by *adat* (*Masyarakat Adat*) status to one of *adat* community with legal status (*Masyarakat Hukum Adat*).

14. **Maps of ancestral lands are important in the process of obtaining recognition of ancestral or communal lands.** A regulation is being drafted that will require a participatory mechanism for mapping the ancestral lands and will require the province, after verification of the

land, to enact the result as a PERDA. IPLCs, however, have been engaging in participatory mapping processes, using extensively tested approaches to map their ancestral lands. These participatory maps, while not formal maps till they are verified, form a basis for dialogue with local government and negotiation. They also can help accelerate the verification process of customary claims. Article 76 of the Village Law makes specific reference to communal land (*Tanah Ulayat*) as a village asset if a village has been legally recognized as an *adat* village by district or provincial legislation.

15. **In this context, the implementation of the proposed project (hereafter referred to as the Dedicated Grant Mechanism for Indonesia (DGM-I) could be catalytic for helping bolster both the Government and IPLCs’ interest to clarify tenure of forests and land⁴ and improve livelihoods.** The DGM-I is designed to address both the immediate and systemic challenges of tenure security among IPLCs and to leverage the opportunities afforded by changes already under way in Indonesia. By focusing on existing opportunities to enhance their livelihood opportunities and leveraging these to optimally position IPLCs for securing formal recognition of their tenurial claims, the DGM-I will support these groups in scaling up their own learning and successes and contribute significantly to address the drivers of deforestation and climate change. Through this support, the DGM-I will contribute to efforts on tenure reform, which is a key part of the REDD+ agenda in Indonesia.

C. Higher Level Objectives to which the Project Contributes

16. **The project will help deliver several higher-level objectives, including that of the GoI to promote inclusive and sustainable development and help forest-dependent communities lift themselves out of extreme poverty.** It also contributes to the World Bank’s objectives of reducing poverty and inequality by building the capacity of IPLCs to obtain support for their priority needs related to natural resources while enhancing their ability to secure tenure to forestlands. By directly engaging with civil society organizations (CSOs) and community-based organizations (CBOs) and facilitating a partnership with government institutions, the project also contributes to the Government and World Bank’s objective to improve governance over rural landscapes. The project also helps put in place enabling conditions for achieving the national goal of reducing deforestation and associated GHG emissions, as reflected in the GoI’s REDD+ strategy and Nationally Determined Contribution. Informing the REDD+ process and processes for improving forest management is also a higher objective of the DGM.

17. **The project also contributes to the Sustainable Landscape Management Program (SLMP), which is one of six core pillars in the Indonesia Country Partnership Framework (2016–2020).** The SLMP’s objective is to support Indonesia’s efforts to reduce deforestation and land degradation through better harnessing the value of natural assets for sustainable growth and poverty reduction. The program supports actions and policies aimed at achieving an integrated approach to the efficient and sustainable use of rural lands, water, and forests in Indonesia. It does so through analytical work, policy advice, and investments in the water, agriculture, social, disaster risk management, energy, and environment sectors in an effort to better integrate those

⁴ It should be noted that IPLCs’ view on tenure security is not uniform with the ‘Property Rights school’ which reduces security of tenure to the notion of a paper title that that can be traded or mortgaged in well-functioning land markets. Instead, the IPLCs seem to associate tenure security with recognition and respect for their claims to land without formal title.

activities for greater overall impact. The SLMP has five main components to advance strategic investments and capacity building in forest- and land-related sectors. They include (a) Consolidate Landscape Management Fundamentals and Implement the One Map Policy; (b) Design and Implement a Forest and Land Fire Prevention and Management Program; (c) Support Sustainable Development of Indonesia's Priority Landscapes (with an initial focus on lowlands including peatlands); (d) Promote Equity and Inclusive Growth in Rural Landscapes (Rural Livelihoods); and (e) Cross-Cutting Issues.

18. The DGM-I will contribute directly to Component 1 and Component 4 of the SLMP. The DGM-I will contribute to the SLMP's Component 1 through supporting efforts to strengthen the capacity of IPLCs to identify and map their traditional lands, to submit those materials to, and participate in, the Government's ongoing One Map initiative. It will contribute to SLMP Component 4 by supporting these IPLCs then build social and economic capital and capacity to sustainably and productively manage these lands and participate in policy discussions on land governance.

19. Through expanding the voice and capacity of IPLCs within the framework of the SLMP, the DGM-I will try to leverage the World Bank Group's engagement with national and provincial governments and other key landscape stakeholders. Specifically, the SLMP provides the World Bank Group programmatic support to planning and implementation of policies and investments to support improved natural resource management and better harnessing of natural assets for poverty reduction and livelihoods. Such initiatives include support at the provincial and district level for enhancing tenure and resource security and piloting integrated approaches to land and forest management, among others. The SLMP thus provides an opportunity for increasing impact of DGM-I through enhancing synergies with broader SLMP activities and engagements.

20. The DGM-I meets the objectives and approach of the DGM Global Program which was approved by the World Bank Board on March 3, 2015, and similar DGM projects have been under preparation/implementation in several countries since then. The project contributes to the goals of the DGM Program.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

21. The project development objective is to improve the capacity of participating indigenous peoples and local communities (IPLCs) to engage in tenure security processes and livelihood opportunities from sustainable management of forests and land.

22. The PDO will be achieved through implementation of the DGM-I. The DGM-I is a demand-driven delivery mechanism, designed by and for IPLCs to channel funds effectively and efficiently to strengthen their visibility and recognize and enhance their roles in the Forest Investment Program (FIP), other REDD+ and related programs, and broader sustainable natural resource management at the local, national, and global levels. The DGM-I follows the framework of the DGM Global Program.

23. **Responding to the priorities of the DGM-I National Steering Committee (NSC), the project will make a strategic contribution to the lives of IPLC households and their tenure security.** The DGM-I aims to strengthen the capacity of IPLC households to obtain secure and equitable access—and control over—forest and agricultural land. This is an important key step to allow IPLC households to begin their engagement with the FIP and other REDD+ related programs because access to land is a critical requirement for IPLCs to obtain recognition from the state in Indonesia. It will particularly emphasize secure access for those communities who have already mapped their land areas as part of the participatory land-use mapping process initiated by CSOs. Guided by the principle of equality in the approach, the DGM-I will pay particular attention to the inclusion of IPLCs at all levels of the process and project investments. To achieve this goal, the project will invest in the livelihood priorities of select IPLC groups and at the same time enable them to become more effective in promoting and protecting IPLC tenure rights.

B. Project Beneficiaries

24. **The project beneficiaries include both indigenous peoples and local communities.** For purposes of this project, indigenous peoples are defined as those social groups in Indonesia's territory that have a distinct, vulnerable, social, and cultural identity and possess the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language.

25. **Local communities, as distinct from indigenous peoples, are those who, while often long-term occupants of the lands they manage, choose not to self-identify as *adat*.** Often, this means a variance in natural resources management approaches and tenure instruments, where non-*adat* communities' management systems may be premised on individual access. This difference is most significant in context to rights recognized in Indonesia's national forest estate, where timebound and conditional rights are awarded to individuals and cooperatives through the HKM program. These tenure and management options are most applicable for non-*adat* communities, while indigenous forest management areas (*Hutan Adat*) are based upon government recognition of collective local rights that are neither time bound nor conditional.

26. **The project will work in communities in seven regions.** To the extent possible, the project will focus on communities which have (a) started a participatory land-use mapping exercise; (b) started a process of applying for the social forestry permits (listed earlier); and (c) lived in vulnerable landscapes such as peatlands, lowlands, and fire-prone areas within forest areas. Recognizing the importance of forests to IPLCs in small islands, the project will also ensure that the selection criteria do not inadvertently bias against competitive and eligible proposals from small islands. At least 30 percent of the direct beneficiaries will be women. In addition, CSOs and CBOs will benefit from training provided to them to effectively manage local community activities. District-level government officials also will benefit from information sharing associated with this project.

C. PDO Level Results Indicators

27. **The three PDO level results indicators are listed:**

- (a) Participating IPLCs submit evidence for recognition of tenure to the government (number of communities)
- (b) Participants in the capacity development activities with increased role in the FIP and other REDD+ processes at local, national, or global levels (percentage)
- (c) DGM Program participants who benefit (monetary or non-monetary) from livelihood only grant activities, disaggregated by gender (number)

28. **For the first project-level results indicator, the term ‘evidence for recognition’ will include evidence/documentation/ information needed as part of applications for recognition of legal personality and recognition of rights.** Additional details regarding these indicators and component level indicators are provided in section VII of the PAD.

III. PROJECT DESCRIPTION

A. Project Components

Component 1: Subgrants to Strengthen IPLC Capacity to Enhance Tenure Security and Improve Livelihoods (US\$3.985 million)

29. **This component will, through the provision of subgrants, build the capacity of IPLCs to pursue (a) clarity and security over their rights to land (including forestland) in rural areas and (b) improved livelihoods.** This component will result in mechanisms, skills, and outputs that will assist the participating IPLCs to advance efforts to strengthen tenure and improve their well-being. It will help the participating IPLCs to fulfill (to the extent possible) government requirements for greater land tenure security and access to services that improve livelihoods.

30. **The selection of communities eligible for support from this component will be based on criteria such as** (a) whether the community has started or has completed participatory mapping of territories or process for applying for forestry permits; (b) whether intervention areas are part of vulnerable landscapes (for example, peatlands, lowlands, fire-prone areas, small islands that are subject to pressure from industries such as mining and plantations); (c) leveraging of other public, donor, or private support; and (d) feasibility (both financial and political). The latter will be determined based on evidence of the district governments’ willingness to engage in recognition of IPLCs and their claims for collective land rights. Additional criteria, such as percentage of women beneficiaries, community endorsement, and organizations’ capacity, will be used to screen proposals (these are presented in annex 1 and are elaborated in the Project Operations Manual (POM)).

31. **Subgrant proposals associated with this component can include a combination of activities for all three subcomponents or activities for Subcomponent 1.1 and 1.2 or activities for Subcomponent 1.1 and 1.3 (the latter will be allowed when there is an**

adequate level of clarity over tenure). The project aims to issue 60 subprojects over the course of the project life. Several of these subgrants will span multiple years. The minimum subproject size is expected to be US\$30,000. The first tranche of each subgrant will be for implementing Subcomponent 1.1, and it is expected to not exceed US\$7,500. Details regarding the activities, selection process, and the financing mechanism are described in annex 1 and further detailed in the POM.

Subcomponent 1.1. Community Outreach and Mobilization

32. **Funds associated with this subcomponent will be accessible to CSOs and CBOs that have been short-listed following an open call for proposals.** The support is to enable the short-listed proponents to sensitize their targeted beneficiaries and other relevant stakeholders (for example, local government) about the subproject scope and implementation arrangements and to refine the subproject proposal to optimize the opportunities created by the DGM-I. The aim is to ensure that proposal beneficiaries have access to and use information on opportunities and requirements for tenure security and improving livelihoods. The information is to help the project beneficiaries engage in an informed manner in determining how to most effectively use the DGM-I's support. Similar efforts will be made to provide the targeted beneficiaries with information on public and private financial resources for supporting local development and processes and requirements for accessing these funds. The information flow will be maintained during the course of the subproject because the regulatory and access to services contexts are dynamic in Indonesia. Maintaining the information flow will enable the beneficiaries to be informed of these changes and how the changes may influence implementation. The communication and outreach will be developed in a gender-sensitive manner. Further elaboration on this is in the POM, following recommendations made in a gender note drafted during project preparation.

33. **The subcomponent will finance the costs of outreach materials, meetings, workshops, and, in some cases, community exchange visits.** The allocation of funds associated with this subcomponent and its use will match the need of the short-listed CSOs and CBOs. For example, organizations with a good understanding of the opportunities and requirements for tenure security may receive support to understand processes and requirements for accessing public and private funds for local development if their knowledge of the latter is limited.

Subcomponent 1.2: Strengthen IPLCs' Capacity to Enhance Land Tenure Security

34. **This subcomponent will support IPLCs' ongoing efforts to claim tenurial rights.** Government Regulation No. 6/2007 under the category of community empowerment proposed four different types of tenure: (a) HD, (b) HKM, (c) local partnerships (*Kemitraan*), and (d) HTR. The subcomponent activities will primarily focus on bolstering their claims under these four schemes in state forest areas. In addition, two other tenurial types that would be covered relate to private forest areas: (a) privately owned forests by individuals or community (privately owned forest (*Hutan Rakyat*)) and (b) privately owned forests (*Hutan Adat* by respective *adat* community).

35. **The proposed support provided through this subcomponent will position IPLCs to strengthen security over the bundle of rights associated with access and land use.** IPLCs

will receive information on documentation requirements for processing tenurial claims under the six target rights categories and guidance on how to secure these rights. Further, the selected IPLCs will receive assistance needed for compiling evidence regarding land areas, finalized land maps, liaising with local government officials for submission, and processing of the applications for obtaining land-use rights. Throughout the various activities, concerted efforts will be made to ensure adequate representation of women in the decision-making and official processes with government.

36. **This subcomponent will finance technical assistance and mentoring for IPLCs.** The aim is to assist them to collect/compile necessary evidence, information, and documentation required for submission of their claims, as well as support costs for follow-up with competent authorities on the status of their application, targeted legal support for preparation of required documentation, technical support for further development of materials, travel, and workshops. In addition, the subcomponent will also support dispute mediation in case of conflicting claims, where necessary, to ensure consensus among IPLCs and build their capacity to engage in an efficient and informed manner with the decision makers in the Government and other external entities. This will include training based on the guidelines and procedures of existing and alternative dispute resolution mechanisms, with an aim to improve the IPLCs' ability to engage in mediation and better resolution skills and techniques.

Subcomponent 1.3: Build IPLC Capacity to Improve Livelihoods

37. **Recognizing the importance of balancing tenure security processes with the ability to invest and improve welfare, this subcomponent will assist IPLCs with two dimensions of improving livelihoods:** (a) determining and agreeing on the priority livelihood activities for which they want to receive support from this project (this will be done recognizing that women and men rely on natural resources in distinct ways and ensuring that women are represented in the prioritization process) and (b) financing for their priority livelihood activities that are widely accepted to contribute to sustainable management of forests and lands. There will be a set of criteria to describe the types of activities that would be eligible for support, such as alignment with existing forest management plans or part of a menu of activities that contribute to sustainable land management. Another consideration will be the feasibility and potential for self-financing following the use of the subgrant (that is, leveraging other sources of financing).

38. **The subgrant financing will support training and technical support to local community facilitators and support for these trained facilitators to assist with developing and refining community development plans.** The training will also enable facilitators to transfer their skills to youth and others who are interested in becoming facilitators. The subgrant will also finance meetings and activities to assist the communities to discuss priorities and develop or refine a previously prepared plan of community-level investments that could be used for purposes beyond this project. The plans will provide information on all the subprojects for which investments are sought and assist in prioritizing the subprojects that will be submitted for DGM-I financing. The funds will also cover costs of agreed investments. These investments can range from investments in agroforestry technology to investments in value addition of non-timber forest products (NTFPs) to investments in micro-hydro (to reduce reliance on wood energy).

Component 2: Inform Policy Processes and Dialogues (US\$0.55 Million)

39. **This component will focus on strengthening how IPLC representatives engage in national and subnational policy and decision-making processes that will inform issues regarding REDD+, addressing drivers of deforestation, landscape management, and IPLC livelihoods.** The support will be for either members of the NSC or other emerging IPLC leaders (for example, persons from the CBOs/CSOs involved in subprojects under Component 1 or IPLC leaders involved in dialogues on IPLC issues in national or subnational platforms such as, the task force on agrarian reform or the proposed taskforce on indigenous peoples issues). The process of identifying the priority policy platforms will be based on a mapping of the legitimacy of the platform, how it engages key stakeholders (actively or as passive participants), and the opportunities it offers for presenting key IPLC issues. More specifics are elaborated in the POM and due consideration will be given to subnational dialogues.

Subcomponent 2.1: Strengthen Capacity of NSC and Emerging IPLC Leaders

40. **This subcomponent will finance capacity building and technical assistance for emerging IPLC leaders and NSC members to effectively share evidence and IPLC perspectives on the issues addressed by DGM-I and to raise funds for addressing these key IPLC issues.** It will support the selected persons in one or both of the following areas:

- (a) **Capacity for policy and participation in dialogue (both tenure and livelihood).** This will have three elements to the capacity building—improving (i) the ability to access and understand good policy analysis; (ii) communication of key messages using evidence; and (iii) involvement, as part of a group, in the drafting of regulations and policies (for example, academic and legal drafting).
- (b) **Improvement of leadership skills.** The POM elaborates what is part of this set of skills.

41. The POM also describes measures that will be implemented to ensure that capacity of women representatives is also built.

42. **The funding provided by this subcomponent will cover the cost of compiling and packaging the evidence and mobilizing support among different stakeholders.** It will also be used for providing the selected persons with training and support to implement their training.

Subcomponent 2.2: Identify and Support Strategic Engagement in Policy Processes and Dialogues

43. **This subcomponent will assist in identifying the strategic policy processes and dialogues in which the IPLC representatives identified in Subcomponent 2.1 will participate.** The subcomponent will support activities related to planning that assist IPLC representatives to determine how to strategically engage in specific processes and also which processes to engage in. This subcomponent will also support the NSC, following clear decisions from them on their role after the DGM-I, to become a sustainable mechanism for addressing IPLC issues.

44. **The allocation of resources will be spread out across the life of the project, prioritizing activities which IPLC groups can influence.** The National Executive Agency (NEA) will administer the funds for this component and handle all the associated procurement and will detail a process for deciding which activities are eligible, how IPLCs will self-select representatives for participating in these events, and how much financing will be allocated for this activity on an annual basis in the POM.

Component 3: Project Management, Monitoring and Evaluation, and Institutional Development (US\$1.79 Million)

45. **This component will finance management and supervision of the project.** Associated with management, it will finance the cost of monitoring compliance with safeguards, M&E, financial management (FM), procurement, safeguard specialists, communication/knowledge management specialists, and a project grants management team. It will also finance the coordination meetings involving the NSC and NEA and any regional meetings with the DGM-I constituents to provide updates of the program and sharing insights from activities. It will support the implementation arrangement associated with this project. It will also cover the costs of providing short-listed project proponents with support for improving the project design and implementation.

46. **This component will also support the design and implementation of a strategy for the continued communication (exchange) between the NSC and the people it represents and ensure there is adequate capacity in the NEA for knowledge management (that is, coordinating appropriate and well-timed trainings and extracting lessons learned).** Implementation of the strategy will assist the NSC to champion the interests and views of their constituents and build the authority of the NSC among other stakeholders. This strategy will address how the NSC members will solicit the views and interests of their constituents and how the NSC will report back to these stakeholders on the advancements in addressing the identified issues.

47. **The component will also cover the costs of establishing and operating a monitoring and evaluation (M&E) mechanism that engages local communities and informs the implementation of the project in addition to tracking performance.** The M&E system will also contribute to identifying lessons learned and will inform communications and outreach in Components 1 and 2. This component will finance the implementation of a project Grievance Redress Mechanism (GRM) and communications and feedback processes to ensure that the cause of the grievances inform any necessary modifications in project implementation. A focal person will be identified within the NEA to monitor and respond to concerns raised.

B. Project Cost and Financing

48. **The financing for this project is from the FIP window of the Strategic Climate Fund, one of the two funds of the Climate Investment Funds.** This project will finance activities that are identified as priorities by the IPLCs to better position them in the national dialogues on REDD+ and sustainable management of forest resources. There are numerous donors and development partners (for example, Norway, Green Climate Fund) and development partners (for example, Asia Foundation, Ford Foundation) that are also engaged in such

activities, many of which are providing financing through groups such as AMAN and the NEA. This project will build on existing efforts to strengthen community planning and access to resources for livelihoods, while focusing on the integral role played by the IPLCs in improved governance and management of natural resources. The project will link to other ongoing efforts being supported by the World Bank such as the FIP and the One Map program to further strengthen learning and relevance across these programs.

Project Components	Project Cost (US\$)	Grant Financing (US\$)	% Financing
1. Subgrants to Strengthen IPLC Capacity to Enhance Tenure Security and Improve Livelihoods	3,985,000	3,985,000	100
2. Inform Policy Processes and Dialogues	550,000	550,000	100
3. Project Management, Monitoring and Evaluation, and Institutional Development	1,790,000	1,790,000	100
Total Costs	6,325,000	6,325,000	100

C. Lessons Learned and Reflected in the Project Design

49. **The project design incorporates lessons learned from ongoing World Bank-supported DGM projects in Brazil and Peru which have similar characteristics to the DGM-I.** The main lessons taken into consideration are the following

- (a) **The areas of support by the DGM require significant financial resources.** The DGM, however, serves as a catalytic fund for empowering the targeted beneficiaries to tap into other funding sources. It, therefore, is important to align the DGM activities and financing with other sources of project or public financing (including the FIP or other relevant projects), to help ensure interventions are feasible and scalable. The subproject selection criteria will give weight to proposed subprojects that will or could leverage other resources. **The project should engage the government and other key stakeholders, including local communities and women, to build their commitment to, and understand the project.** Engagement could be supported by facilitating effective communication and outreach among stakeholders and creating opportunities for sharing knowledge. A communication and outreach strategy is elaborated in the project’s POM and will be implemented in coordination with other programs associated with the SLMP. The aim will be to generate the long-term commitment required to address the complex issues that the SLMP addresses.
- (b) **Land titling is necessary but not sufficient to guarantee sustainable forest management.** There needs to be a combination of strategies in place, ranging from monitoring, environmental management contracts with concession holders, sustainable livelihood development, and more. Secure tenure for communities also protects rights of their future generations. The proposed project addresses this lesson by combining assistance for increased participation in tenure strengthening processes with livelihood- and capacity-building support.
- (c) **Ensuring good governance when implementing DGM activities requires making sure that the NSC is representing the diverse voices of IPLC stakeholders.** This can be effectively achieved when there are strong networks and

organizational capacity among IPLC organizations and the main counterparts for the project. In Indonesia, this is particularly important because IPLC composition is diverse and there are numerous complexities related to the many groups of IPLCs. Furthermore, the capacity of IPLC organizations is wide ranging, with some that are well-organized and networked, while others are less well-known. Internalizing this lesson, the project component that is focused on informing policy processes and dialogues includes capacity building for the NSC and other key representatives of IPLCs emerging from the work being carried out by the project. In addition, the project addresses the need to ensure adequate representation of IPLC perspectives and encourage rotation of NSC membership. Both these steps will allow for greater networking and coordination among these groups.

50. The Independent Evaluation Group’s review of land administration projects found that interventions have better results when they are tailored to match a number of local conditions and match the incremental strengthening of the legal and policy framework with sufficient capacity for managing this process. The proposed project takes note of this important lesson and aims to focus only on those elements of tenure and land security that can be incrementally improved for the target communities while accepting the need to maintain an engagement at a broader level with the legal and policy framework.

51. The Inspection Panel has highlighted lessons to be learned from programs that address Indigenous Peoples issues. In particular, the Inspection Panel lessons point to the importance of maintaining active supervision with responsiveness to changing circumstances and fully involving indigenous peoples in project implementation, deploying social specialists throughout project implementation, and being cognizant of the long-term benefits of projects that directly support the customary rights and sociocultural well-being of indigenous peoples.

52. Lessons from community-driven development (CDD) projects in Indonesia—including the national program for community empowerment that had an environmental orientation - *Program Nasional Pemberdayaan Mandiri (PNPM) Green within PNPM Rural*—provide insights on how to achieve greater participation of beneficiaries in subprojects and activities. It found that greater participation occurred if the subproject (a) conforms to the priority needs of participants’ livelihoods; (b) provides immediate benefits to the community; (c) directly increases household incomes in participating communities; (d) is supported by local values, local regulations, or local knowledge; and (e) is cofacilitated by community leaders and local government officials. Such subprojects were also more likely to be replicated by other villages. The DGM-I, by working with IPLCs that are forest-dependent, will be focusing on subprojects that are linked to a primary source of livelihood benefits for these communities. The design of the livelihood subgrant component also includes support for identifying priorities within communities, ensuring that they are facilitated by a local facilitator, and generating benefits to the community. The use of these principles in the proposed project fits well with the intention of the DGM to empower IPLCs, improve governance, build social capital, and strengthen community engagement with the local government.

53. The Japan Social Development Fund financed Improving Governance for Sustainable Indigenous Community Livelihoods in Forest Areas project. This was a project with indigenous peoples in Indonesia, which highlighted the critical role women play in income

generation and ensuring the general well-being of households and communities. Case studies across Indonesia reinforce this point and underscore the vulnerabilities faced by IPLC women because of large-scale forest conversion, transitions to more cash-based economies, and as indigenous and local governance structures begin to be subject to more external influence and pressures. The proposed project has carried out a social assessment to identify key areas to strengthen a gender-sensitive approach and will work with IPLC communities to address women's livelihood needs in Component 1.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

54. **An NSC is established in each FIP pilot country to oversee the DGM implementation in the respective country.** In Indonesia, the NSC was established in June 2014 following a consultative process that was facilitated by the Community Chamber of the National Forestry Council (*Dewan Kehutanan Nasional*, DKN). It resulted in the selection of nine IPLC representatives, including seven men and women representing indigenous peoples and two representatives for indigenous women and local communities. Subsequent to the formation of the NSC, a representative of the MOEF was invited to participate in the NSC as an observer to facilitate coordination with other efforts being implemented by the ministry. The World Bank, as a Multilateral Development Bank (MDB) supporting the DGM-I, is also an observer on the NSC. Both the Government and World Bank representatives will provide inputs during the NSC meetings on technical soundness, operational feasibility, and alignment of proposals with national policies and MDB policies. They will also help the NSC link the DGM activities with relevant rural development/forestry programs in the country to strengthen synergies and explore co-financing for activities and participate in the decision-making process for strategic decisions. Neither the World Bank nor Government representatives will have a vote on the approval of proposals as members of the NSC.⁵

55. **The NSC will have various responsibilities.** During preparation, they will identify the criteria for project selection. During implementation, the NSC will engage in reviewing the proposed selection of project proposals and will approve the NEA's annual project work plan. The NSC will also actively seek feedback from their IPLC constituents, identifying emerging needs and opportunities. A representative of the NSC is also expected to participate in the Technical Steering Committee for an FIP-financed project, the Program Steering Committee of the FIP, and the Global Steering Committee of the DGM (support for the latter will be from the DGM Global Program). In addition, the NSC, through the NEA, will engage with the DKN as needed.

56. **The NEA is responsible for implementing the project and assists the NSC.** The NEA was selected based on a competitive selection process. It is responsible for the day-to-day implementation of the project, to ensure the project is implemented in accordance with the POM and for all the monitoring and reporting obligations. It will also be responsible for providing semiannual progress reports on the implementation of the program to the DGM Global Steering

⁵ With regards to proposal selection, the World Bank, as the MDB overseeing the DGM-I, has the responsibility of ensuring that the correct procedures, as are laid out in the POM, are followed in issuing the call for proposals and selecting the subgrant recipients.

Committee. The NEA will work in partnership with CSOs and CBOs, who in turn will work with community groups. The NEA will help them conceptualize, carry out, and evaluate, in close coordination with local communities, their grant-financed projects. The NEA will administer the mechanism for subgrants at a scale and scope that is aligned with their capacity and will bring in consultant support to respond to the capacity needs identified in the project assessment.

57. The specific roles and responsibilities of the NSC, NEA, recipients of grants for subprojects, and the World Bank are outlined in annex 2 and the POM.

B. Results Monitoring and Evaluation

58. The executing agency for the DGM Global Program, Conservation International, will monitor high-level indicators for the DGM Program as a whole and incorporate results and lessons learned from each of the country-level DGMs. The DGM-I will be required to provide needed information to Conservation International to enable them to share results at the DGM Global Steering Committee and the FIP Subcommittee meetings and as part of the global lessons learned and knowledge-sharing component of the DGM Global Program.

59. The NEA will be responsible for overall monitoring of the DGM-I. The NEA will be responsible for monitoring progress on reaching the gender target and ensuring adequate communication, outreach and community consultation. In close collaboration with the World Bank and the NSC, the NEA will establish an M&E plan to measure the indicators in the Results Framework and progress will be tracked against these indicators during implementation. The executing agreements with the subproject implementing agencies will also include the project indicators relevant to the activities to be financed. Gender-disaggregated data will be needed for indicators as noted in the Results Framework (for example training, grant beneficiaries and so on,) will be required. The M&E results will be shared regularly with the NSC and distributed to participating CBOs/CSOs. The results will be discussed at meetings that involve CBOs/CSOs and participating communities. The focus will be to share lessons and allow for community feedback.

60. The M&E plan will include at least two formal evaluations during the project execution period (including a midterm Review), the parameters for which are outlined in the POM. The NEA will also be responsible for providing regular progress updates to the NSC and the World Bank (the reporting requirements for the latter are noted in the legal agreement). The NEA will also participate in implementation support missions and supervision to be undertaken by the World Bank up to two times per year, where progress relating to the indicators will be reviewed (the latter will be up to three times during the first year of implementation). A final evaluation will assess the achievement of indicators, assess sustainability of results, and identify lessons learned that can be shared with similar projects as well as part of the DGM Global learning component.

C. Sustainability

61. The social/institutional sustainability of the project largely hinges on building the necessary capacity and social capital (through partnerships and strengthening of networks) to continue the processes and generate support for the activities being implemented

through this project. The emphasis on the outreach, communication, capacity-building, and M&E interventions is to empower IPLCs and equip them with the relevant tools to directly engage in such activities in the future. The partnerships that are established through this project, with development partners and also with the Government, are structured to last beyond the life of the project. The institutionalization of the NSC, which is being considered, will also assist with reinforcing these partnerships and building the social capital needed to obtain necessary support going forward.

62. **The long-term financial sustainability of the DGM-I project is generated by building the capacity of the NSC to raise funds and engage with Government programs, international nongovernmental organizations, other development partners, and the private sector** over the course of the project, to promote the models associated with the DGM-I and to garner financial support for addressing IPLCs’ challenges. The activities also support IPLCs to engage in national and subnational initiatives such as village planning processes to more effectively influence how public resources are programmed.

63. **The contribution of the project to biophysical sustainability of forests is through the focus of the livelihood activities.** The project aims to support livelihood activities that reduce reliance on forest resources and also assist communities to, when necessary, manage the forest resources sustainably. The interventions also aim to support communities to obtain additional assistance for such activities, strengthening implementation of sustainable practices.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

Risk Categories	Rating (H, S, M or L)
Political and governance	Substantial
Macroeconomic	Moderate
Sector strategies and policies	Substantial
Technical design of project or program	Moderate
Institutional capacity for implementation and sustainability	Substantial
Fiduciary	Substantial
Environment and social	Substantial
Stakeholders	Moderate
Overall	Substantial

Overall Risk Rating Explanation and Mitigation Measures

64. **The overall risk rating of the project is Substantial.** Mitigation measures have been proposed for each of the areas of risks in the context of the project. The success of the DGM Program depends on building capacity and for testing processes that allow for IPLCs to benefit from existing public programs for improving forest and land tenure security and assisting with the livelihoods of IPLCs. However, securing additional financing falls outside of the project’s mandate. It will be important that emerging initiatives, whether under the SLMP or other programs, consider how they can support scaling up the implementation of the project activities.

Political and Governance

65. **The political and governance risk associated with this project is rated Substantial because the political will of the Government to advance the agenda of land tenure security at all levels (national to subnational) will determine how rapidly the outputs of this project will be adopted into existing processes.** The political willingness at the subnational and national level is highly varied, affecting their level of engagement with activities associated with securing tenure. The impact of this project also hinges on the activities developed through this intervention being viewed as beneficial for the national agenda and receiving support from a wide range of stakeholders. This will require these stakeholders to consider the NSC and DGM as a legitimate vehicle for communicating the key issues.

66. **Mitigation.** In an effort to augment the ownership of this initiative, the NSC has included a nominated representative from the MOEF in the NSC. In addition, the NSC will also participate in events at which they can receive inputs from other stakeholders on DGM-I (for example, Program Steering Committee of the FIP) and explore opportunities for collaboration. The NSC has been urged to consider including other key government representatives and will be deliberating this during project implementation. The rationale for broadening government involvement in the NSC is to enable a sharing of viewpoints regarding challenges and opportunities related to the key issues the project is tackling. It creates an opportunity for discussing coordination with other ongoing initiatives such as One Map, FIP, and other development partners' supported investments and technical assistance.

Sector Strategies and Policies

67. **The sector strategies and policies risk is closely linked to the political and governance risk mentioned above.** Currently, forest sector strategies support the issuance of licenses or permits, including for community-based forest management. These strategies do not readily support the recognition of customary claims to forestlands. In addition, there is need for ministries, such as the MOEF, to establish clearer regulations and operating procedures for how Forest Management Units (KPHs) will work with customary claims within their areas. Beyond drafting the necessary regulations and operating procedures, there needs to be capacity building for technical government staff to work with IPLCs. Without these accommodations, the achievements of the project are at risk of not having a lasting impact.

68. **Mitigation.** The project activities include raising the awareness of community members regarding the role of different stakeholders and where to find confirmation of these roles in laws, regulations, and operating procedures. It also builds their capacity to engage with government officials in a manner that is informed about government requirements and procedures and allows the local stakeholders to reflect their priorities and needs. The NSC will be encouraged to use platforms associated with the FIP and REDD+ to communicate local stakeholders' perspectives regarding the sectoral and policy constraints to greater tenure security and improved livelihoods and to engage in processes for preparing policies and regulations.

Institutional Capacity for Implementation and Sustainability

69. **The NSC and NEA lack experience in managing World Bank-funded projects. In addition, the scope of this project requires the NEA to oversee activities in seven regions.** This raises risks with the timely implementation of the project. Furthermore, the NEA has expanded its portfolio of activities by having secured other projects that focus on similar issues, but the needed expansion of staff is unclear.

70. **Mitigation.** The NSC and NEA have received support to understand the requirements for implementing World Bank-funded projects. They also participated in a South-South exchange to understand the complexity and costs of implementing DGM-financed interventions. The NEA will establish a technical team (Project Management Unit (PMU)) that is dedicated to implementing the DGM-I-financed intervention that is adequately staffed, including with consultants, who will provide additional support to ensure timely implementation and compliance with the POM.

Fiduciary

71. **The fiduciary risk associated with this project is rated Substantial.** The risk is associated with geographically dispersed project locations with low FM capacity of the CSOs/CBOs receiving the grants. Also, the procurement capacity assessment identified that Samdhana Institute Indonesia (NEA) has rather limited experience of procurement under the World Bank's guidelines. Although the NEA is experienced with managing grant activities for community groups, the number and value of such grants to be managed is increasing under the project. The NEA has sufficient number of procurement staff (three persons) who manage the procurement under the NEA operations, including the current Project Preparation Grant. It is anticipated, however, that the increased number of contracts to be procured and supervised not only by the NEA but also by the potential CSOs and CBOs at the community level will require more demanding procurement-related works and hands-on support.

72. **Mitigation.** Some mitigation measures to the associated risk have been discussed, including introducing guidelines for community grant activities in the POM and training in FM to the community groups. The NEA will also recruit additional staff experienced in community grant type activities for monitoring the community grants and building FM capacity of the community groups. Mitigation measures related to procurement are noted in the procurement section of the appraisal summary.

Environment and Social

73. **The determination of rights over resources can be a conflict-laden process and result in the unintentional exclusion of marginalized and vulnerable households and community groups.** Furthermore, traditional decision-making structures of these communities often exclude women and disregard their priorities when determining the allocation and use of community assets. Inadequate support to households and communities regarding how they manage their natural resource assets and the land also can result in decisions that have unintended negative environmental consequences. It is recognized that several of these communities have traditional knowledge that is valuable to informing the management of forests and other natural resources. Where the systems of traditional knowledge remain strong, they will need to be used. In several communities, however, these systems have been weakened and have

not effectively internalized the impact of, among others, growing market pressures and climate change.

74. **Mitigation.** The project, following requirements of Indonesian law and World Bank operational policy, will have to comply with an integrated Environmental and Social Management Framework (ESMF). The framework includes a negative list which will form the basis for inviting and selecting among proposals for support. The same list will also be used by CSOs and CBOs to plan proposed activities. The ESMF also includes a participation framework that CBOs and CSOs must adopt from the drafting of proposal through completing implementation. The framework will also provide guidelines for CSOs and CBOs on preparing an environmental management and monitoring plan. The use of these guidelines will need to be reflected in the proposals and during project implementation. The framework will also form the basis for training CSOs and CBOs about key matters and for supervising them. The ESMF also requires that there be public disclosure of project-related information by the NEA.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

75. **Unsustainable management of forestlands has significant negative externalities.** The estimated impact on the economy of the 2015 fires in Indonesia, of US\$16 billion, underscores how weak institutions and unsustainable management of the natural assets and land can compound the impact of weather patterns such as *El Nino*. Two of the underlying drivers for forest degradation and deforestation, as identified in the national REDD+ strategy, are tenurial issues and lack of alternative livelihoods. This DGM-financed project, nested within the broader FIP program, supports activities aimed at addressing tenurial issues and improving livelihoods.

76. **The project approach aims to maximize sustainability and invest in activities that combine immediate and long-term benefits and support for ‘no regrets’ sustainable land management options for community activities chosen by IPLCs.** These land management options over time will help reduce GHG emissions from conversion of forests, have a net positive return (when considering the direct and indirect benefits), and build the capacity and resilience of the local beneficiaries. The activities will generally be ones that are worth investing in, independent of climate change, because of their broader contribution to rural livelihoods. These investment options are more likely to be implemented, generate benefits and have few tradeoffs, and offer chances for further investment if there are opportunities for additional financing.

77. **The project, with its focus on building capacity to strengthen tenure security and improve livelihood interventions, is expected to generate several short- and long-term co-benefits.** The qualitative descriptions of some of the long-term co-benefits generated by the project are (a) improved sustainable forest and land-use management resulting from the investment in sustainable land management technologies; (b) carbon sequestration as a result of avoided deforestation and planting of trees; and (c) socioeconomic co-benefits from addressing the imbalance that have plagued IPLC development in the past (for example, limited access to public services and inadequate benefit sharing arrangements). A few of the relatively short-term co-benefits are expected to include improved livelihoods for households participating in

livelihood subprojects and greater ability to the IPLCs to safeguard their rights and resources. The project is also expected to reinforce the positive trend of gaining tenure security and at the same time help IPLC governance, organization, and capacity building.

78. **The demand-driven nature of Component 1 of the project makes it difficult to conduct a conventional cost-benefit analysis because exact project investments are not known.** Noting this, a detailed ex ante cost-benefit analysis is not conducted. The World Bank, however, has considerable and relevant experience with CDD projects for vulnerable rural communities in Indonesia, including through the PNPM Green. The final evaluation of the PNPM Green (conducted in 2012) found that well-designed subprojects generate positive results for households in both direct income and savings related to reductions in household expenditures. Following the first round of subproject completion under the DGM-I (expected before midterm review), the project will carry out an assessment of completed subprojects (based on samples and monitoring data) to take stock of progress and inform project implementation.

B. Technical

79. **The project design is technically sound and supports community livelihoods and secure tenure by using an approach of block grants.** This approach is widely adopted by the World Bank and other development partners. The focus of the grants are aligned well with the objectives of DGM (capacity building) and reflect the priorities of the IPLCs (recognition of land rights and economic empowerment). The project takes on board lessons learned from other CDD projects and also insights from other DGM and World Bank-financed projects. For example, it includes activities that help IPLC representatives effectively engage in dialogues with the Government and mobilize support from other donor-financed interventions. This approach positions the DGM-I financed projects as interventions that connect the IPLCs with other engagements and enables them to mobilize additional support.

C. Financial Management

80. **The World Bank carried out an FM assessment of the NEA.** Overall, the FM risk is assessed as being Substantial. This assessment has concluded that with the implementation of the action plan, the risks can be substantially mitigated, and the proposed FM arrangements will satisfy the World Bank's minimum requirements under OP/BP 10 and be adequate to provide, with reasonable assurance, accurate and timely information on the status of the subgrant as required by the World Bank.

81. **In general, sufficient FM capacity is in place within the NEA, such as adequate organizational financial guidelines, computerized accounting system, and regular audits of the institution's financial statements.** Audit reports of the last two years provided unqualified opinions on the NEA's financial statements. The main FM risks are related to geographically dispersed project locations (across seven regions) with the low FM capacity of the community groups. Although the NEA is experienced with managing grant activities for community groups, the number of grants to be managed is significantly increasing under the project. To mitigate the associated risk, some measures have been discussed, including drafting guidelines for community grant activities in the POM and training in FM. The NEA will also recruit additional staff for monitoring the community grants and building FM capacity of the community groups.

82. **Project audit will be required annually with the audit terms of reference approved by the World Bank.** The audit will also cover activities implemented by the grantees involved in subprojects and community groups. In addition to an opinion on the project's financial statement, the audit will assess the compliance of project implementation with the relevant guidelines and its effective and efficient use of funds. The annual audit report will be submitted to the World Bank no later than six months after the end of each calendar year.

83. **The applicable disbursement methods are Advance and Reimbursement.** A Designated Account (DA), denominated in Indonesian rupiah, will be opened in a commercial bank under the NEA's name. The DA will be a segregated account solely used to finance eligible project expenditures. Projected expenditures for six months will determine the ceiling of the advance to the DA. Reports on the use of the DA funds and request for additional advances will be based on the quarterly interim financial report (IFR), submitted to the World Bank no later than 45 days after the end of each quarter. It should consist of (a) list of payments for contracts under the World Bank's prior review and records of these expenditures, (b) statement of expenditures for all other expenses, (c) DA reconciliation statement, (d) IFR, and (e) projected expenditures for the next six months. Retroactive financing will be made available for payments made before the date of the Grant Agreement but on or after March 1, 2017, for eligible expenditures up to an aggregate amount not to exceed US\$30,000 as requested by the recipient.

D. Procurement

84. **The grant is expected to include simple procurement involving hiring of individual consultants, consulting firms, small-value goods, non-consulting services, and simple construction works by the communities.** The World Bank's 'Procurement Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers' dated January 2011, revised July 2014 and 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers' dated January 2011 shall apply. However, as has also been agreed by the World Bank in the case of the Preparation Grant and other identified World Bank's financed and/or administered projects executed by other CSOs, the NEA may use its own Procurement Manual and standard procurement forms, which have been found to be in broad consistency with the World Bank's Procurement and Consultant Guidelines, and these are expanded in the POM. The recently simplified procurement arrangements in the other identified projects executed by the CSOs, which were adopted from the PNPM-Peduli's POM, provide a list of the key elements and good practices that will facilitate further strengthening and harmonization.

85. **The procurement capacity assessment identified that the NEA has limited experience of procurement under the World Bank's Procurement Guidelines.** The NEA has sufficient number of procurement staff (three persons) who manage the procurement under their operations, including the current Project Preparation Grant. However, it is anticipated that there will be an increased number of contracts to be procured and supervised not only by the NEA but also by the communities themselves and the potential CBOs and CSOs at the community level, which requires more demanding procurement-related works and hands-on support.

86. **An initial draft Procurement Plan for the first 18 months of the project**, identifying the proposed activities, method, and estimated cost and review requirements has to be agreed with the World Bank before negotiation.

87. **The following mitigation actions were completed, based on which the residual procurement risk is determined to be moderate:**

- (a) Setting of appropriate prior review requirements based on project procurement capacity and risk level to be specified in the Procurement Plan.
- (b) As part of the simplification process, the World Bank team worked closely with the NEA to develop the POM. The latter provides guidance to the NEA and to the communities and potential CBOs and CSOs at the community level in procuring goods, non-consulting services, works, and consulting services following good practices, with the objective of achieving value for money and ensuring transparency and integrity of process.
- (c) Proper planning of procurement activities to balance the work load of the designated procurement staff.

E. Social (including Safeguards)

88. Three rounds of public consultations were held regarding the DGM-I and are described in the ESMF. The first round was held in preparation of the DGM-I in seven regions from April to June 2014, led by the DKN with IPLCs. During these consultations, eight priority areas to be supported by the DGM-I were discussed. During the second round of consultations, the NSC reached out to their constituents to consult on key aspects of the project design, the selection criteria, and process for selecting proposals. The third consultation was a national consultation held on November 29, 2016, during the sixth congress of the DKN.

89. **Many of the key concerns raised during these consultations are reflected by the NSC and NEA in the project design.** They covered several of the key priority areas; adopted a clear, transparent set of selection criteria; and have been explicit in the POM about what activities are eligible for financing. The finalization of the ESMF also addressed the request to make safeguard requirements and processes commensurate with the risk level of the proposed project; to bolster technical assistance, capacity building, and oversight during project implementation; and to enhance community participation and social inclusion to prevent elite capture. The POM further operationalizes these points and the ESMF.

90. **The project triggers OP/BP 4.10 on Indigenous Peoples.** Accordingly, proposals that receive funding from the DGM-I are required to provide evidence of broad community support through free, prior, and informed consultations to avoid adverse impacts and ensure that communities have a full and accurate understanding of the initiatives proposed. Since the vast majority of the beneficiaries will be indigenous peoples, a standalone Indigenous Peoples Planning Framework will not be required and elements of the framework are integrated into the ESMF.

91. **OP 4.12 on Involuntary Resettlement.** This policy is not triggered because the project will not finance activities that will result in involuntary resettlement that is, involuntary taking of land and/or the exercise of eminent domain. Such activities are explicitly incorporated into the negative list. If voluntary land donation and voluntary use of land are required for project activities, the ESMF has established guidelines for the handling of voluntary land donation and land easement, including, as needed, the processes for conducting consultations and obtaining consent from landowners and heirs, legal documentation, and processing. In the unlikely event that proposed activities result in livelihood displacement (for instance, community groups give up their access to land and natural resources because of conservation or issuance of land titles), decisions on mitigation measures will need to be mutually agreed by all affected communities as guided in the Community Participation Framework in the ESMF.

92. **A gender assessment identified several key issues.** They included the need (a) to broaden the range of indigenous issues in which gender inequalities and inequities are examined and addressed, (b) to improve practitioners' and decision makers' abilities to identify gender issues, (c) for a project-wide system of gender-disaggregated information and knowledge, and (d) for institutional/organization strengthening to address gender in decision making and resource allocation. The project design, as a result, includes (a) requirements for the NEA to monitor progress on gender-disaggregated targets, (b) outreach and awareness raising activities that address gender dimensions and are delivered in a gender-sensitive manner, (c) training for CBO and CSOs on project implementation and strategies for knowledge dissemination that mainstream gender, (d) a Community Participation Framework in the ESMF that requires social inclusion of IPLC women and men, and (e) NSC representation that includes women leaders as well as representatives of women's groups. Furthermore, the grant making process is committed to ensuring that 30 percent of direct beneficiaries are women, and a criteria on percentage of women beneficiaries is used to screen proposals.

F. Environment (including Safeguards)

93. **The DGM-I triggers OP/BP 4.01 on Environmental Assessment and is classified as Category B.** The project is expected to generate positive environmental and social outcomes because it seeks to promote forest and natural resource management, climate change adaptation for IPLCs, tenurial security, and sustainable development. Proposed activities under Component 1 will have to go through preliminary screening to identify potential impacts and safeguard requirements, which include the following processes:

- (a) **Screening against the DGM-I negative list.** The NEA, in consultation with the NSC, has established a negative list for the project, to ensure that any proposal not aligned with GoI regulations or initiatives with potential adverse impacts will not be financed.
- (b) **Screening against the Environmental and Social Safeguards impacts.** The ESMF provides a practical impact assessment form and Environmental Codes of Practices (ECOPs) to guide implementing units in identifying potential impacts and developing mitigation action plans, for example, Environmental and Social Management Plan (ESMP), Environmental Management Efforts and Environmental

Monitoring Efforts (*Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup*, UKL-UPL), SPPL, as relevant.

- (c) **The POM includes relevant SOPs to operationalize the ESMF, including procedures for oversight, complaint handling, and community participation.** Capacity-building activities for safeguards (for example, training, on-the-job mentoring, and coaching) to local implementers will be conducted to foster awareness, buy-in, and adherence with the ESMF. The ESMF specifies preventive measures for potential impacts as they may arise during project implementation. Measures include strengthening implementation oversight by the NEA and project implementers (CBOs/CSOs), GRM, and community participation. In addition to independent M&E activities, the NEA will conduct regular supervision and monitoring of the implementation of the ESMF and report on the progress as well as recommended action plans to the World Bank.

G. Other Safeguards Policies Triggered

94. **In addition to OP 4.01 on Environmental Assessment and OP 4.10 on Indigenous Peoples, DGM-I also triggers safeguard policies on Natural Habitats (OP/BP 4.04), Forests (OP/BP 4.36), Pest Management (OP 4.09), and Physical Cultural Resources (OP/BP 4.11).**

95. **The Natural Habitats (OP/BP 4.04) policy is also triggered because some of the subproject activities may have impacts on natural habitats such as agroforestry, land-use management, and NTFP harvesting.** The project will not support initiatives that would potentially lead to conversion and/or degradation of critical or noncritical natural habitats. The ESMF includes measures to promote sound management of natural resources and natural habitats. Project activities will strive to promote good practices in forest management, including innovative ideas to protect environmentally sensitive habitats and enhance the project's positive impacts on the environment.

96. **The Forests (OP/BP 4.36) policy is triggered as the proposed activities may take place in natural forest areas.** Community proposals may bring about changes in the management, protection, and/or usage of natural forests (for example, support for NTFP and timber subprojects). However, the conversion of primary forests will be strictly prohibited. The ESMF outlines key strategies to promote sustainable use of forests and mitigation of impacts and risks if the project activities are implemented in and/or affect forest areas such as, but not limited to, forest restoration, plantations, NTFP collection/processing, and agroforestry activities.

97. **The ECOPs include a guidance note for the environmental management plan for timber subprojects.** DGM-I may finance harvesting operations conducted by small-scale landholders and/or by local communities under HKM management if such operations have achieved an acceptable standard of forest management developed with meaningful participation of locally affected communities consistent with the principles and criteria of responsible forest management as outlined in the ESMF.

98. **The Pest Management policy (OP 4.09) is triggered as proposed subproject activities may lead to acquisition, use, and disposal of small quantities of pesticides (for short-term**

use). The project will not procure or use pesticides and chemical fertilizers that are classified as IA or IB by the World Health Organization and GoI's regulations. The DGM-I will encourage use of organic fertilizers for activities related to agriculture and agroforestry that may involve pest management and use of pesticides. The ESMF has incorporated an integrated pest management (IPM) guidance note and ECOPs that every subproject involving use of pesticides or pest management is required to adopt. The POM describes procedures for handling, storage, and disposal of pesticides as well as a list of substances that cannot be purchased. Training and awareness raising on IPM will be built into capacity building activities for implementing CSOs/CBOs and participating communities before and during project implementation.

99. **The Physical Cultural Resources policy (OP/BP 4.11) is triggered as proposed subproject activities may have impacts on the use of and access to sites with potential cultural significance.** No project activities are expected to affect physical cultural resources. A provision has been included that the removal or alteration of any physical cultural property (includes sites having archeological, paleontological, historical, religious, or unique natural values) are strictly prohibited in activities financed by the DGM-I. However, in the event that such impacts occur unintentionally because of the implementation of subproject activities (for example, construction work, land demarcation), the ESMF incorporates procedures to address chance finds of physical and cultural resources in consultation with affected communities. The ESMF provides a guideline for the chance-finds handling procedures.

World Bank Grievance Redress

100. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VII. RESULTS FRAMEWORK AND MONITORING

Project Development Objectives

PDO Statement

To improve the capacity of participating indigenous peoples and local communities (IPLCs) to engage in tenure security processes and livelihood opportunities from sustainable management of forests and land

These results are at | Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values										
		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target	
1. Participating IPLCs submit evidence for recognition of tenure to the government (Number)	0.00	0.00	10.00	20.00	30.00							30.00
2. Participants in the capacity development activities with increased role in the FIP and other REDD+ processes at local, national, or global levels (Percentage)	0.00	60.00	70.00	75.00	75.00							75.00

3. DGM Program participants who benefit (monetary or non-monetary) from livelihood only grant activities, disaggregated by gender (Number)	0.00	0.00	300.00	550.00	700.00						700.00
DGM Program participants who benefit (monetary or non-monetary) from livelihood only grant activities - female (Subtype: Breakdown)	0.00	0.00	100.00	165.00	210.00						210.00

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values									
		YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	End Target
1.1 Participating IPLCs aware of tenure processes/map validation processes at the local level (Percentage)	0.00	60.00	60.00	60.00	60.00						60.00
Participants in consultation	0.00	2,400.00	3,500.00	4,500.00	4,500.00						4,500.00

activities during project implementation (Number) - (Core)											
Participants in consultation activities during project implementation - female (Number - Subtype: Breakdown) - (Core)	0.00	720.00	1,050.00	1,350.00	1,350.00						1,350.00
1.3 Number of community investment plans developed in participatory manner (Number)	0.00	5.00	10.00	20.00	20.00						20.00
2.1. Participating IPLCs who share lessons/experience from the project in regional/national policy dialogues on the FIP and other REDD+ processes (Number)	0	0	20	40	60						60
Grievances registered related to delivery of	0.00	50.00	60.00	70.00	70.00						70.00

project benefits addressed (%) (Percentage) - (Core)											
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Indicator Name	Description (indicator definition and so on)	Frequency	Data Source / Methodology	Responsibility for Data Collection
1. Participating IPLCs submit evidence for recognition of tenure to the government (number)	IPLCs who have submitted evidence for recognition of tenure to the Government. The term 'evidence' will include evidence for recognition of legal personality which includes evidence of territory, <i>adat</i> rule, and institutions. For recognition of rights, evidence will constitute the application which includes a community map. For forest permits, evidence will include compiled information such as (a) a list of candidate names local community group members in HKM known by the village chief/headman; (b) general description of areas, among others, the physical state of the region, the social economy, and potential areas; and (c) a map of the proposed location at least a scale of 1:50,000 in the form of written documents and electronic copies in the form of a shape file.	Yearly	Project management information system; related documentations collected by CSOs (for example, copies of maps and registration receipts); monitoring/supervision data from CSOs, AMAN, and Pemda	NEA
2. Participants in the capacity development activities with increased role in the FIP and other REDD+ processes at local, national, or global levels (%)	Number of participants who were provided with capacity building to augment the role of the IPLC in the FIP and other REDD+ processes as a percentage of the total number of participants who benefited from capacity	Yearly	Documentation/report from NSC/CSOs on participant (number); ex post survey by the NEA	NEA and NSC

	building			
3. DGM Program participants who benefit (monetary or non-monetary) from livelihood only grant activities, disaggregated by gender (number)	Reflects number of participants who are benefiting from grants for subprojects that only focus on livelihood activities (so not the grants combining tenure security and livelihood activities). It is estimated that 30% of participants are female. Total number of grants for subprojects on livelihood only is expected to be 16.	Yearly	Beneficiaries data by facilitators; Survey using phone call/text message by independent consultant to cross-check. More comprehensive survey by independent firms will be conducted if external funding can be secured.	NEA
DGM Program participants who benefit (monetary or non-monetary) from livelihood only grant activities - female	Reflects number of female participants who are benefiting from grants that only focus on livelihood activities (so not the grants combining tenure security and livelihood activities). Total number of grants for livelihood only is expected to be 16.	Yearly	Beneficiaries data by facilitators; Survey using phone call/text message by independent consultant to cross-check. More comprehensive survey by independent firm will be conducted if external funding can be secured.	NEA

Intermediate Results Indicators

Indicator Name	Description (indicator definition and so on)	Frequency	Data Source / Methodology	Responsibility for Data Collection
1.1 Participating IPLCs aware of tenure processes/map validation processes at the local level (percentage).	Measurement only for IPLCs who attended the socialization	Yearly	Pre/post-test from CSO/IPLC	NEA
1.2 Participants in consultation activities during project implementation (number)	This indicator measures the level of community engagement in project implementation.	Yearly	Monitoring data by CSO/IPLC; attendance list from the forum	NEA

Participants in consultation activities during project implementation - female	This indicator measures the level of women's engagement in project implementation.	Yearly	Monitoring data by CSO/IPLC; attendance list from the forum	NEA
1.3 Number of community investment plans developed in participatory manner	This indicator measures primarily investment plans related to livelihood opportunities that contribute to sustainable management of forests and lands.	Yearly	Monitoring data by CSO/IPLC; documentation of investment plans with minutes of meetings from the forum	NEA
2.1. Participating IPLCs who share lessons/experience from the project in regional/national policy dialogues on the FIP and other REDD+ processes (Number)	This indicator measures capacity of participating IPLCs in expressing and advocating their concerns in the FIP and other REDD+ policy dialogues as results of trainings provided by the DGM-I.	Yearly	Relevant documentations from policy dialogue events such as speaker notes/PPT; minutes of meeting (including agenda and attendance list); video/audio recording of the meetings/events	NEA and NSC
3.1 Grievances registered related to delivery of project benefits addressed (%)	This indicator measures the transparency and accountability mechanisms established by the project so that the target beneficiaries have trust in the process and are willing to participate, and they feel that their grievances are attended to promptly. It is understood that local sensitivities and tensions will not allow GRMs to be established in all projects.	Yearly	Management information system data	NEA

ANNEX 1: DETAILED PROJECT DESCRIPTION

Indonesia: Strengthening Rights and Economies of *Adat* and Local Communities Project

- 1. Indonesia's rural population accounts for 47 percent of the total population (or about 118 million people), nearly half of which (48.8 million people), live in or around forestland.** The poverty rate in forest areas is 20 percent, double the national average. To reduce extreme poverty and boost shared prosperity, the Government will need to tackle the challenge of improving natural resources management and environment sustainability. The Strategic Country Diagnostic for Indonesia found a key priority in improving natural resources management and environmental sustainability in Indonesia to be reforming the governance of land allocation, land rights, access, and spatial planning. The latter is necessary for improved management of and benefits from terrestrial natural assets of these resources, which in turn is a prerequisite for improving the livelihoods of local communities.
- 2. Land governance in Indonesia is complex.** The 1945 Indonesian Constitution respects the existence of *adat* and *adat* law communities and recognizes their customary claims to land. The administrative laws such as the Basic Agrarian Law No. 5 of 1960, which contains the land policy, and the Basic Forestry Law (of 1967), however, do not carry through the recognition found in the Constitution. The Basic Forestry Law (of 1967) gives the MOEF the power to manage forestlands and the Forestry Law No. 41 (1999) considers all forestland to be the property of the state. As a result, de jure access and use of the forest estate is controlled by the MOEF, even though the BPN, has the mandate for land titling, records, and other administrative functions. The dual system land administration in Indonesia has resulted in overlapping land-related regulations and guidelines, ambiguous provisions regarding the management and administration of land and land-based natural resources, and unclear status of customary claims to forestlands.
- 3. Secure forestland rights and access will help improve forest management in Indonesia, as unclear tenure is one of the underlying drivers of deforestation and forest degradation.** The benefits of a lower deforestation rate in Indonesia are far-reaching. In Indonesia, land-use changes, forestry, and peat fires are generating more than 70 percent of CO₂ emissions. Efforts on clarifying land tenure could decisively increase Indonesia's contribution to global climate change initiatives. Indonesia's forest is globally significant because of its size and biodiversity. Indonesia has the world's third-largest tropical forest with 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 the world's reptiles and amphibians, 12 percent of the world's mammals, and 10 percent of the world's plants.
- 4. Key stakeholders in the process of clarifying forestland rights are forest-dependent IPLCs.** The Constitutional Court rulings MK 45/2011 and MK 35/2013 have called into question the size of the forest estate and recognized the legitimacy of customary claims to forestland, respectively. Government data states that the forest estate (*Kawasan Hutan*) under the control of the MOEF covers almost two-thirds of Indonesia's land. Not all of the forest estate is forested, and not all forests are within the forest estate. However, the majority of Indonesia's forest

resources—the 125.9 million hectares,⁶ representing 64.5 percent of Indonesia’s territory, managed by the MOEF for conservation and forestry-related purposes—are found within the forest estate.⁷ MK 45/2011, however, states that only demarcated and gazetted forests should be considered part of the forest estate, reducing the area quite significantly. MK 35/2013 states that the provision in the Forestry Law declaring customary forests as part of the domain of the state is unconstitutional, underscoring the legitimacy of *adat* communities claims to land. There often are overlapping claims to the land in both gazette and not yet gazette forestlands, making land issues a hotbed for conflict.

5. In an effort to prevent further loss of land and resources and obtain recognition of their territorial rights, indigenous peoples have been mapping their customary claims. Many indigenous peoples focused groups in Indonesia adopted a community land mapping (CLM)⁸ process that built on successful approaches adopted in Central and South America. CLM involves a participatory approach to generate broad land-use information and introduce cartographic aspects to the information to assist communities to map boundaries to their ancestral land. It is seen as a tool for land-use planning and resolving boundary conflicts, and it has proven useful in countering the loss of control over land and natural resources. The mapping exercise also assisted with community mobilization while recording existing claims, informally, and provided communities with important information for requesting formal recognition of claims at a later date.

6. In 2014, the new Indonesian President, made a commitment to strengthen the rights of IPLCs over land and forest resources. Following this, the MOEF announced that 12.7 million hectares of forestland will be transferred to local communities by 2019 and included this target in the Government’s five-year plan (2015–2019). The aim is to transfer these lands through the social forestry program, which includes empowering communities by bolstering their claims through (a) HD, (b) HKM, (c) HTR, and (d) local partnerships (*Hutan Kemitraan*). In addition, two other tenurial types that would be covered relate to private forest areas: (a) privately owned forests by individuals or community (privately owned forest (*Hutan Rakyat*)) and (b) privately owned forests (*Hutan Adat* by the respective *adat* community). As part of this process, the MOEF has been preparing indicative maps of social forestry areas (*Pet Indikatif Areal Perhutanan Sosial*). These maps are collaboratively produced with the participation of stakeholders that include representatives of the national and subnational governments, civil

⁶ Presentation of the Director of Forest Area Gazettement and Land Use Planning, Ministry of Environment and Forests, September 16, 2016.

⁷ In accordance with the 1999 Forestry Law, Article 4 Paragraph (2), the Ministry of Forestry (now the MOEF) has the responsibility to (a) govern and manage all affairs related to forests, forest areas, and forest products; (b) determine or change the category of certain lands as forest areas or otherwise; and (c) administer and determine legal relations between people and the forests and legal undertakings related to the forests.

⁸ A range of different tools have been piloted to delineate and record complex and overlapping rights, which could be useful in programs such as recognition and protection of tenure rights in different circumstances such as disaster recovery, biodiversity conservation, and climate change. Experiences show that such programs can be successful only if they begin with a careful review of existing different rights and interests in the land involved and a clear mechanism to protect those rights. In this context, a mapping exercise will have to begin with a careful review of existing different rights and interests in the land involved. CLM exercises allow an early analysis of rights and their links to tenure. Gathering data on landholdings and use rights along with land demarcation processes is also key in supporting these processes. Further, some of these programs have developed initiatives with lower cost options for cadastral mapping, adjudication, and participatory mapping processes.

society, and respective community groups. The MOEF has expressed its commitment to implement the Social Forestry program and is currently preparing guidelines and revising existing regulations for processing permits for social forestry. This has created an opportunity for the issuance of social forestry permits and is further catalyzing efforts of IPLCs and civil society groups to engage in further mapping of IPLCs claims to land and motivating local communities to get organized and submit requests for social forestry permits.

7. As of December 2016, there are a host of regulations associated with the MOEF 1999 Forestry Law and more recent ones (issued after the Constitutional Court ruling in 2013) that provide better and progressive opportunities for IPLCs to obtain rights. These include

- MOEF Regulation No. 62/2013 concerning designation of forestland areas;
- MOEF Regulation No. 32/2015 on private forests;
- MOEF Regulation No. 83/2016 on Social Forestry that simplified the proposed six tenurial types (HKM, HD, *Hutan Adat*, HTR, *Kemitraan* and *Hutan Rakyat*) under the program;
- MoHA Regulation No. 52/2014 on recognition of indigenous rights without local PERDA on legal status on communities;
- Interministerial Regulation No. 79/2014 to develop procedures to address issues related to land status and natural resource conflict within Indonesia's permanent forest estate (*Kawasan Hutan*). This relates to farmland areas inside forest estates (currently zoned) and generally smallholders can seek tenurial claims;
- MoHA Decree No. 44/2016 assigned district administrations to identify and define village authority including management of land and resources; and
- MoATR/BPN Regulation No. 10/2016 on designation of communal land rights in specific areas (relate to spatial planning).

8. For the four tenurial types (for example, HD, HKM, HTR, and *Kemitraan*) that the project would support, the procedures for administering state forests mandate that all such applications are received, reviewed, and processed at the district level. The processing requires that the respective community prepares the applications and submits it to the district offices. After processing at the district level, the application is to be forwarded to the competent authority, based on the type of tenurial claim, for further review. The two schemes allowed in private forest area, that is, privately owned forest and *Hutan Adat*, follow the procedures laid out in Regulation No. 32/2015 on the administration and management of private forests. These six tenurial arrangements do not require applicants to obtain formal recognition of the community (legal status) beforehand. Recent national legislation provides clear sequential steps and procedures that can lead to granting of access and use rights or issuing of decree for such purposes.

9. **In terms of institutions, the districts play an important role in determining the legal status of communities.** Regulation No. 10/2016 by the MoATR/BPN states that a community should submit a preliminary application to the respective District Land Office (BPN Office) following which the process for determining communal rights is triggered and procedures for the determination of communal rights on customary land are launched. The procedures do not subject the IPLCs to a complex set of administrative steps or processes. Upon receipt of a claim from the community, respective district heads are authorized to establish the committee/team to work through details for a resolution, and the committee/team is required to conduct field validation and verification and submit a report to the district or provincial government. On the basis of the report prepared by this team of government officials representing key ministries (known as IP4T or Panitia teams)⁹ following their field verification, the district or provincial government decides whether to enact local regulation concerning the recognition of a particular community as *Masyarakat Hukum Adat*.

10. **Recognition of legal status is important because it enables the communities to request to be considered a village and, in turn, access much needed public transfers and services for local development.** Many forest communities or villages within forests are not assigned village status or government issued code. This means that they cannot receive public transfers from the village fund or *Dana Desa* or *Alokasi Dana Desa* (or other transfers) and in addition they do not readily receive services from the line ministries such as Health and Education. Such communities and villages currently can only receive support from the MOEF. If the communities are formally recognized as a village—whether *adat* or regular—they are then entitled to receive the public village funds. These formally recognized communities are also more readily eligible for transfers from other national programs (for example, initiatives related to REDD+) and, through their representatives, can engage in planning processes and development of programs.

11. **IPLCs consider obtaining and engaging in defining support for a host of economic development and livelihood issues that are important because of how it enables them to make effective use of securing land rights.** Consultations conducted for the DGM-I revealed interest in support for increased capacity for economic activities associated with processing and using forest products and services, development of people-based marketing networks, and support for lowering the transaction costs and time for IPLCs to obtain forest permits. IPLCs also identified strengthening local institutions and traditional knowledge systems to be important to bolster economic well-being. Improved food security was another area of support and ranged from strengthening the production of local food crops and local sources of food, development of traditional food crop seed varieties, development of environmentally friendly agricultural technology, improved land management, increased productivity of the cultivation systems, and access to water. A third area of support identified through this process was regarding the development of renewable energy.

12. **In some provinces, such as Central Kalimantan, efforts also have been under way to augment inclusion of marginalized indigenous peoples groups, such as *Dayak* communities,**

⁹ They are the *Panitia Masyarakat Hukum Adat* (Panitia) team that is established to follow procedures established to recognize and protect customary (*adat*) communities and/or the Joint Interministerial Regulation No. 79/2014 that encouraged the establishment of *Tim Inventarisasi Penguasaan, Pemilikan, Penggunaan dan Pemanfaatan Tanah* (IP4T).

through the introduction of participatory planning processes in development plans and programs. The provincial government, over time, has publicly recognized that “achieving social inclusion and good land governance will require the active participation and commitment of all segments of the society, enhanced information sharing, accountability, transparency, equality, inclusiveness, and the rule of law.” The capacity of the public administration system and local authorities, however, still remains weak and progress has been slower than expected.

13. **In Central Kalimantan, while indigenous peoples’ customary institutions have a relatively strong presence, the main role of these institutions is to preserve and protect the culture and customary traditions of the indigenous peoples and maintain a formal role within the provincial government.** These customary institutions that are based on social capital have limited experience in developing and managing their own livelihood projects. These customary institutions, however, are interested in increasing their capacity and learn about new opportunities available to benefit their communities and expand their engagement in local development. The situation in Central Kalimantan is relatively reflective of the situation in other provinces with respect to IPLCs.

14. **There is awareness and interest among IPLC communities in ongoing global initiatives on climate change, biodiversity and reducing emissions from deforestation and forest degradation (REDD+), and the opportunities and challenges they create.** Recent World Bank-financed studies found there was broad consensus that land rights of IPLCs and their interest in forest areas should be protected and their access to services to enhance livelihoods improved. The positions of individual communities, however, are wide-ranging. Some groups strongly oppose the idea of managing forests for carbon storage and oppose carbon trading. Others accept the potential benefits such initiatives can generate and demand that their perspectives are considered in the ongoing processes. Despite these differences there is general interest to learn more about REDD+ and willingness to be prepared to negotiate and defend rights in case the programs target land and territories claimed by IPLCs.

15. **The DGM-I is a demand-driven delivery mechanism, designed by and for IPLCs.** It channels funds effectively and efficiently to strengthen their visibility and to recognize and enhance their roles in the FIP; other REDD+ and related programs; and broader sustainable natural resource management at the local, national, and global levels. In the context of Indonesia, these grant resources aim to improve participating IPLCs’ capacity to obtain forest and land tenure security and to improve livelihood opportunities from sustainable management of forest and land. Achievement of greater tenure security and capacity to use natural resources in a sustainable way will reduce some of the underlying causes of deforestation and degradation.

16. **The DGM-I aims to strengthen the capacity of IPLCs to engage in tenure security processes and livelihood opportunities from sustainable management of forests and land.** Guided by the principle of equality in the approach, the DGM-I will pay particular attention to the inclusion of local communities and indigenous peoples at all levels of the process and project investments. To achieve this goal, the project will invest in supporting select IPLC groups’ livelihoods priorities and at the same time enable them to become more effective in promoting and protecting IPLCs’ tenure rights and access services, by building their capacity to generate evidence, engage with the relevant stakeholders, and participate in policy dialogues. This project

will provide IPLCs with the skills, technology, and knowledge to sustainably manage their natural assets and determine how to engage in markets.

17. The primary project beneficiaries are IPLCs in seven regions of Indonesia (Kalimantan, Java, Sulawesi, Sumatra, Bali-Nusa Tenggara, Maluku, and Papua). To the extent possible, the project will focus on communities which (a) have started their mapping exercise; (b) have started a process of applying for forestry permits; (c) live in vulnerable landscapes such as peatlands, lowlands, and fire-prone areas within forest areas; and (d) are exposed to forestland pressure from industries. Approximately 30 percent of the total beneficiaries will be women. In addition, local nongovernmental organizations and CSOs will benefit from the training provided to them to oversee local community activities and district-level government officials will benefit from information sharing associated with this project.

Component 1: Subgrants to Strengthen IPLC Capacity to Enhance Tenure Security and Improve Livelihoods (US\$3.985 million)

18. Component 1, through the provision of subgrants for subprojects, will build the capacity of IPLCs to pursue (a) clarity and security over their rights to land (including forestland) in rural areas and (b) better livelihoods. This component will support the establishment of mechanisms, transfer of skills, and generation of outputs that will assist the participating IPLCs to advance their efforts to strengthen tenure. The activities will assist IPLCs to fulfill government requirements for greater land tenure security. This component will also increase the IPLCs' ability to influence and access public services that improve their livelihoods.

19. The selection of communities eligible for support from this component will be done based on a call for initial proposals that will be based on a template and will be reviewed by the NEA. The NEA will use a set of selection criteria, including the following:

- (a) The community has started or has completed participatory mapping of territories or process for applying for forest permits (the evidence for which will include either minutes of participatory meetings or draft maps).
- (b) Areas are part of vulnerable landscapes (for example, peatlands, lowlands, fire-prone areas, small islands that are subject to pressure from industries such as mining, and plantations) as this will enable the intervention to contribute to the broader goal of the FIP program of which the DGM is linked on GHG emissions in the long term.
- (c) The intervention will leverage other ongoing projects (public and donor supported) to scale up the intervention when possible and more importantly to support other stakeholders who are key to ensuring success of the proposed intervention (for example, support local government).
- (d) Feasibility (both financial and political). Political feasibility will be ascertained based on evidence of the relevant districts' willingness to engage in recognition of IPLCs and their claims for collective land rights.

20. When the selected grantees submit a final proposal, a few additional criteria will be used to screen the proposal:

- (a) Percentage of women beneficiaries (as this links directly to the Results Framework) and community
- (b) Endorsement (considered necessary to ensure the project is delivering on the local stakeholders objectives)
- (c) Organizations' capacity (focusing specifically on their capacity to handle FM, procurement, safeguards, M&E, gender mainstreaming, and project management)

21. In cases where the organizational capacity requires strengthening, the proposal will include the elements of strengthening for which the organization requires support. The criteria are explained in the POM.

22. **Following the review of initial proposals, the NEA will develop a short list that will be presented to the NSC.** Following the NSC approval of the short list, the NEA will contact the selected proponents and offer them support for activities in Subcomponent 1.1. Subsequent to receiving this first tranche of support and implementing the associated activities, the proponents will be invited to submit a more detailed proposal. The NEA will review the revised proposals received and assess how well they meet the original criteria and a few additional criteria, such as percentage of women beneficiaries, level of community support, and organizations' fiduciary and safeguard capacity (and measures being taken to augment it). The findings of the review process will be shared with the NSC for their no-objection and the selected proposals will receive financial support for implementing the proposed activities. A detailed description of project proposal selection process is in the POM.

23. **Subgrant proposals associated with this component could include all three subcomponents (Type A) or combine Subcomponents 1.1 and 1.2 (Type B) or, when there is already established tenure security, combine Subcomponents 1.1 and 1.3 (Type C).** The project aims to issue 60 grants for subprojects over the course of the project. The subgrants may span several years. The minimum subgrant size is expected to be US\$30,000. The first tranche of each subgrant will be for implementing Subcomponent 1.1 and is expected to not exceed US\$7,500. Expected number of subgrants per year proposed by the NEA are detailed in table 1.1 (with an indicative breakdown of projects against the three combinations of activities).

Table 1.1. Expected Number of Subgrants per Year Proposed by the NEA

Year of Project Implementation	Type of Activities	Number of Grants			
		Year 1	Year 2	Year 3	Year 4
Year 1	A	14			
	B	8			
	C	8			
Year 2	A		0		
	B		8		
	C		7		

Year of Project Implementation	Type of Activities	Number of Grants			
		Year 1	Year 2	Year 3	Year 4
Year 3	A			0	
	B			8	
	C			7	
Year 4	A				0
	B				0
	C				0
Number of new grants		30	15	15	0
Number of grants per type of activity	A	14	Total number of grants	60	
	B	24			
	C	22			

Subcomponent 1.1. Community Outreach and Mobilization

24. **One of the objectives of the DGM is to change the conventional practice of viewing IPLCs as solely recipients of project interventions by building their capacity to influence and receive services from local government and tenure security programs.** This subtle yet transformational change will require CBOs and CSOs that will implement the project to appreciate this distinction. The organizations will have to work with and listen to communities' needs and interests and ensure that the proposed activities reflect IPLCs' priorities and that the organization is accountable to IPLCs for delivering against these objectives. The CSOs and CBOs will also need to review how they will work with other key stakeholders that can influence the success of their activities (for example, forestry representatives, village administration).

25. **The aim of this subcomponent is twofold: the first is to raise the awareness of potential beneficiaries and other relevant stakeholders (for example, local government) on the project scope and implementation arrangements.** As part of the outreach, local stakeholders will be informed of how resources associated with the project will be allocated, the procedures and criteria for identifying activities the project will support, the duration of the project activities, and compliance requirements.

26. **The second aim of the subcomponent is to ensure that potential beneficiaries of the project have the necessary information on opportunities and requirements for tenure security and improving their livelihoods.** Access to this information should help them decide how to most effectively use potential support from the DGM-I. Beneficiaries will be informed about the requirements to (a) meet the existence criteria and be formally recognized as a community; (b) obtain recognition of customary land; and (c) obtain rights to land and resources (for example, through issuance of social forestry permits or designation of land as *Hutan Adat*). The outreach on securing land tenure will provide IPLCs with information on the challenges and opportunities associated with the existing regulations. It would also provide insights from other efforts to clarify rights and present the responsibilities that communities would face should they pursue these opportunities.

27. **Beneficiaries will also have the opportunity to learn about public and private resources for local development and processes and requirements for accessing these funds.** The discussions on public resources would explain the procedures associated with existing fiscal transfer mechanisms (that is, *Dana Desa*, *Alokasi Dana Desa*, and other transfers or village fund allocation) and how they are programmed to enable local communities access them. The activities would also present information on financing opportunities associated with REDD+, KPH financing, and so on. It would enable IPLC members to learn more about the relevant processes and understand where and how they may influence the processes. The information would also assist beneficiaries to understand the information they need to prepare to access the funds. Where private sources of financing are accessible, for example through benefit sharing, outreach efforts would assist communities understand how they could participate in benefit sharing regimes from carbon financing, make the most of opportunities for partnerships with private entities and KPHs, and so on.

28. **Both sets of outreach and awareness raising information will be provided in a manner that is sensitive to local contexts and gender dimensions.** According to the findings of the gender mainstreaming report, the implementation of this component will incorporate the following five core elements:

- (a) Provide information on opportunities for grant financing to diverse women's organizations before selecting the proponents and for those that are selected in this process, ensure that women representatives from the CSO and CBOs participate.
- (b) Ensure women and men's equal involvement in the delivery of information and training.
- (c) Provide gender-sensitive information in terms of substance and delivery.
- (d) Adopt informal communication channels.
- (e) Focus, through this process, on informing changes in attitudes, behaviour, and community and institutional rules to enhance community's acceptance of women's involvement in information delivery and mobilisation.

29. **The funds for this subcomponent will cover costs of outreach materials, meetings, workshops, and, in some cases, community exchange visits.** All outreach and awareness raising information will be provided in a manner that is sensitive to local context and gender dimensions. This outreach will also explain how resources associated with this project will be allocated, any procedures and criteria for selecting specific activities, the duration of the project activities, and compliance requirements. The outreach activities are expected to be continuous throughout the life of the subproject as the legal and regulatory environment for tenure security and livelihood services is dynamic. Therefore, it will be important for the beneficiaries, CBOs, and CSOs to have the relevant updated information. The NEA will be responsible for ensuring that the relevant updated information is transferred to the CBOs and CSOs and that they in turn provide this to their local constituents.

Subcomponent 1.2: Strengthen IPLC's Capacity to Enhance Land Tenure Security

30. **Protection and recognition of customary land and forestland reforms form a centerpiece of the GoI's development policies and programs and drives its economic growth and poverty-reduction initiatives.** Subnational governments primarily administer and manage customary land. Their mandate includes (a) supporting IPLCs to manage land in public and private domains, (b) resolving land conflicts, (c) allocating land for collective purposes, (d) supporting land offices to create property titles and update the cadaster, and (e) coordinating with the judiciary and other government departments to protect and recognize tenurial claims of IPLCs.

31. **As noted earlier, following the Constitutional Court rulings of 2011 and 2013 on the administration of indigenous and forestland, a set of regulations was adopted that further empowered local governments to support protection and recognition of IPLCs' claims for collective rights over land.** These regulations outline procedures to recognize and protect customary (*adat*) communities (Regulation No. 52/2014); establish the IP4T obliging local officials to review the claims and provide recommendations to the MoATR/BPN and MOEF and address issues related to land status and resource conflict within the permanent forest estate (*Kawasan Hutan*; Regulation No. 79/2014); and determine communal rights on customary land, without subjecting the IPLCs to a complex administrative process (Regulation No. 9/2015). These legal instruments offer a comprehensive legal and regulatory framework for developing a modern communal land administration and management system. Under these procedures, communal land rights could be granted either to IPLCs collectively or to their leader in the name of the group. The regulations also specify as to which institution/competent authority is authorized to recognize rights, grant rights, and issue decrees allocating land for *Hutan Adat* or *Desa Adat* (*adat* village) tenurial types.

32. **With regard to recognition for customary rights under the categories considered for the DGM-I, the respective Minister (MOEF/MoATR/BPN) is authorized to recognize or grant the rights.** The MoATR/BPN is responsible for granting IPLCs communal rights and the MOEF issues decrees on *Hutan Adat*. Communal land rights could be granted either to IPLCs collectively or to their leader in the name of the group. The recognition of rights to conduct public administration through *Desa Adat* takes place largely at regional level. The District Head or the Governor is authorized to designate *Desa Adat*. The next process is to register the *Desa Adat* with the provincial government and to gain its code number from the MoHA.

33. **Taken together, the current legal framework encourages a community to apply for recognition of rights after submitting an application and documentation to seek land rights.** This is bundled with the community's application seeking legal status. As such, the application is acceptable from a legal point of view as the community now has legal personality after formal recognition. Indigenous communities can apply for rights to land and other natural resources and rights (authority) to carry out public administration.

34. **This subcomponent will support IPLCs' ongoing efforts to claim tenurial rights** primarily by bolstering their claims for the relevant scheme from among current tenurial types such as HD, HKM, *Kemitraan*, and HTR on state forests and *Hutan Rakyat* and *Hutan Adat* for privately owned forests. As a priority, the subcomponent will consider villages/communities that have prepared CLMs and have these readily available to be used as the basis for the proposed set of activities to accomplish the objective of submitting a tenurial claim. The subcomponent will

provide technical assistance to compile evidence for land, finalize land maps in a standardized manner, and liaise with local government officials for submission and processing to secure rights for use of land. There are other schemes associated with the Agrarian Reform led by the MoATR that may be considered after further discussion between the NSC, NEA, and World Bank and an assessment of alignment of this area of engagement with the overall FIP program objective to which the DGM-I is linked.

35. To support this, the subcomponent will follow sequential steps and will trigger a collective land rights cycle and will have four key stages:

- (a) Disseminate information and establish an enabling environment and conditions for developing a proposal seeking collective land-use rights.
- (b) Secure identification and community agreement to participate.
- (c) Conduct community consultations and prepare applications to seek collective tenurial claims and rights (including legal support to prepare required documentation and mechanisms for resolution of disagreements and disputes within the community and external parties, if any). An effective and extended consultation process will provide IPLCs with opportunities to actively participate in decision making and to have their views reflected in preparing the application seeking tenurial claims. A simultaneous engagement with the local authorities (the District Head in particular) is critical to mobilize government support for the initiative.
- (d) Negotiate with local governments.

36. These four stages are interrelated. The process will be rooted with local governments and driven at the district/commune and village levels.

37. The participating IPLC communities, before completion of their respective application to seek tenure claims under one of the proposed six categories, will be provided with information on the steps, processes, and documentation required (a matrix detailing these is included in the POM). Applicant communities will also receive technical assistance to compile evidence on their land, finalize land maps, and liaise with local government officials for submission and process applications for obtaining rights for use of land. This can be considered part of a collective land rights cycle, which includes identifying readiness of the respective IPLC group and assessing land maps available for the specific area and environmental and social guidelines, preparing comments and requests for additional information, advising on any specific requirements for compliance, and reviewing and assessing the application for approval by local governments and/or any special measures required.

38. As part of the support for this process, the grantees will make a concerted effort to ensure women's participation. The grantees will be expected to use prior knowledge (developed during community outreach and mobilization) about men and women's attitudes toward women's participation in formal and official processes related to land tenure security; build awareness of the need to involve women to participate in such processes by underlining the benefits of doing so, supported with evidence; and in building awareness, work closely with community change agents identified before. If communities have already started formal and

official activities on land tenure security, the technical assistance will need to convince customary or community leaders, committees, or delegates of the need to include women representatives if this has yet to be done and will use a social norms approach and sustainability arguments. Effort will also be made to establish women's representatives in community decision-making and official processes with the Government on getting official recognition of communal or customary land. In addition, the grantees will be expected to tap into social networks, women's organizations, and informal communication channels, to map the different ways women and men interact around the core issues of land tenure security, and ensure this informs the process.

39. **The subcomponent budget will include technical assistance and mentoring for IPLCs to assist them in collecting necessary information and documentation on their claims and to show that the claims are not contested.** In addition, the subcomponent will finance dispute mediation, where deemed necessary, to ensure consensus among IPLCs as well as support costs for submission follow-up, targeted legal support for preparation of required documentation and strengthen their capacity to engage in an efficient and informed manner with decision makers in the Government and other external entities. The training will be based on the guidelines and procedures for existing and alternative dispute-resolution mechanisms to improve IPLCs' ability to engage in mediation and hone resolution skills and techniques, travel, and workshops.

Subcomponent 1.3: Build IPLC Capacity to Improve Livelihoods

40. **Tenure security is a necessary condition for improving rural livelihoods and offers the community or individual with the incentive to invest in the resource base in a manner that generates benefits over time.** It does not, however, in itself provide poor communities and households with the needed capital to make such investments. Mobilizing investments will be important to engender economic growth in rural areas and also to foster equitable benefit sharing. Involving communities and villages in the process of making investments will be important as they play a key role in determining allocating, distributing, and using resources. Villages and districts also play a role in service delivery.

41. **In Indonesia, subnational governments are primary providers of almost all public services.** Law 32 of 2004 on Regional Government considered villages as the lowest level of government and required district governments to provide a regular transfer to village governments for development activities. The new Village Law provides an even stronger basis (including financial basis) for villages to play a larger role in service delivery. Sustainability is also one of the principles that guides village investments. For IPLCs to receive services and support that aligns with their priorities, they must be able to clearly articulate their needs and, when possible, provide evidence for how meeting these needs would deliver on the broader development agenda of the Village Law. Similarly, where opportunities related to REDD+ could provide financing for local development activities that promote sustainable forest resource management, communities will need to be able to negotiate terms that deliver on their interests.

42. **This subcomponent will assist IPLCs in two ways:** (a) build the capacity of local facilitators to assist communities to develop or revise their existing community investment plans, and determine which elements related to the scope of the DGM-I in the plan are their priority

investments and (b) finance priority livelihood activities (these are expected to contribute to sustainable management of forests and land).

Capacity Building of Local Facilitators and Preparation of Community Development Plans

43. **Facilitation services can help elicit the perspective of marginalized groups and help them articulate their needs for services more clearly and to self-advocate for assistance.** Facilitation can contribute to awareness, motivating stakeholders to work collectively, and also empowering communities to voice their opinions. To effectively deliver such services to IPLCs, however, it is necessary to build capacity in working with these stakeholders and to promote their effective participation in meetings and dialogues on livelihood benefits and forest resource management.

44. **This subcomponent will support training and technical support to individuals selected by the local communities as their facilitator.** These community organizers will be trained in inclusive facilitation, supporting preparation of community investment plans, and promoting local communities' priorities in village development planning processes using a community development plan. The facilitators will receive gender training which will provide them with approaches for considering the likely challenges of the facilitation work in socioculturally sensitive settings and how to address these challenges. The training will also teach facilitators how to transfer their skills to youth and others who are interested in becoming facilitators. The financing will support actual facilitation of community meetings to develop a plan that is compatible with local planning processes and livelihood financing opportunities and the drafting or refining of a new or existing community investment plan, respectively.

45. **The financing associated with this subcomponent will also cover training costs and costs of developing/refining community investment plans** (for example, meetings, workshops and, where relevant, community-to-community exchanges). Part of the funds will be used for a gender mainstreaming training workshop for IPLC representatives and key participants in the process and, similar to Subcomponent 1.2, will finance collection of needed information on gender. The purpose will be to ensure that the facilitate process of prioritization and plan development are inclusive and support active engagement of women.

Livelihood Activities Compatible with Sustainable Management of Forests and Land

46. **This subcomponent will finance eligible livelihood activities identified in community plans that were developed as part of this subcomponent (see above).** The grants for Type C subprojects will be selected based on the criteria described earlier. A modification to these criteria that will be applied to this proposal is that the proponents have recently obtained secure tenure over forestland or are in the process of obtaining secure tenure over forestlands (for Type A subprojects supporting both tenure security and livelihood activities, the original conditions will be applied). Livelihood proposal for Type A and Type C projects will be selected based on the criteria described earlier. In addition, the proposals will be reviewed to assess (a) the alignment between the activities proposed and, where relevant, the forest management plans or whether the proposed activities are ones that are widely accepted to result in sustainable management of forests and land; (b) feasibility (financial and potential for self-financing following the use of the grant; (c) capacity of the CSO/ CBO; and (d) the proposals are

accompanied with evidence of community (or, where relevant, multiple communities) endorsement.

47. **An indicative list of the type of investments and technical assistance that are expected to be supported as part of this subcomponent is noted in table 1.2.** These areas are responsive to the priority areas of support identified during public consultations with IPLCs. They will be further elaborated in the POM.

Table 1.2. Indicative List of Type of Investments and Technical Assistance

Category	Subcategory	Illustrative Subproject Activities
Land management	Preventing land degradation (of individually held or collectively held farmland area)	Improving soil fertility and application of organic farming methods
	Productive use of farming land to reduce reliance on forests	Home gardens, household fish ponds, and honey production
	Promote low-cost land certification methods (for farmers)	Collective use rights, streamlined tenurial user rights linking land to water access
	Access to micro-credit for better land use	Land certificate as collateral for higher credit levels
Natural resource management	Management and utilization of village/HKM resources	Agroforestry, timber tree planting, fruit tree plantation, and reforestation
	Management of environmental services	Small-scale ecotourism (particularly in case of trekking routes and cave temples)
	Waste management	Waste management and composting
Environmental conservation	Management and utilization of water resources	Planting trees in catchment areas, mangrove planting, riverbank planting, and land rehabilitation
	Erosion control	Planting of trees for restoration of degraded sloping lands
Generation of renewable energy (reducing reliance on wood energy)	Electrical energy	Micro-community (or intercommunity) hydropower, photovoltaic power (solar cell installation)
	Other energy	Biogas and fuel from agricultural waste
Capacity building and training	Community training	Training on biogas, waste management, and composting

Component 2: Inform Policy Processes and Dialogue (US\$0.55 million)

48. **The GoI's commitment to transfer 12.7 million hectares of forestlands to *adat* and local communities in an effort to resolve issues over access to forest resources and their pledge to convert 9.2 million hectares from forest to agriculture is considered a unique opportunity for IPLCs.** This has motivated AMAN and partners to augment their support to communities to carry out participatory mapping of *adat* land. They have also advanced efforts to consolidate all the land maps they have helped produced and are trying to secure legal acceptance of these maps. Civil society groups report that by early 2016, nearly 7 million hectares of indigenous land (of which 6.2 million hectares are recorded as forests) have been mapped in approximately 760 locations in 19 provinces. These indicative indigenous land maps have been submitted, since 2012, to the MOEF and BIG for necessary review, verification, and steps for inclusion in the Government's One Map registry. As part of the One Map process and in support of mapping community land (including land held by *adat* communities), civil society

groups have persuaded the Government to work with them on SOPs for participatory mapping of community lands.

49. **In addition to the efforts of AMAN and partners, there are presidential task forces that have been created to operationalize the government pledges to transfer land.** One of these is the Task Force for Agrarian Reform that is engaging a broad range of stakeholders to determine how to most effectively allocate the 9.2 million hectares of forests to agriculture. Another presidential task force that has been under discussion is the task force focusing on protecting customary land rights. Following the landmark 2013 Constitutional Court ruling recognizing indigenous peoples' lands as no longer being a part of state forests, an Indigenous People's Rights Acknowledgment and Protection Bill, which would define indigenous communities and set up procedures to settle customary land disputes, was drafted. This bill, however, has not been ratified, and the task force has not been established. The existing and to-be-created task forces and other ongoing dialogues on land rights with government ministries and agencies such as BIG, the MoATR/BPN, and the MOEF are some of the key platforms in which IPLCs should be actively engaged in promoting their perspective.

50. **Another set of policy processes and dialogues that are relevant for IPLCs are those on REDD+.** Indonesia has embraced the concept of financial compensation for REDD+ and is participating in a number of REDD+ programs, including the Readiness Program of the Forest Carbon Partnership Facility and Bio Carbon Fund Emission Reduction Program. These programs are to assist the country to deliver on its nationally determined commitment to mitigate and adapt to climate change. The programs have, as part of their operationalization, to assist with benefit sharing regimes, community participation in achieving REDD+, and measures for addressing drivers of deforestation such as insecure land tenure. As these programs are developed, there will be opportunities for IPLCs to share their perspectives, whether as part of consultations associated with preparation or dialogues through the DKN.

51. **This component will focus on strengthening the NSC to engage in policy processes related to REDD+, forest resource management, secure land tenure, and improving IPLCs' livelihoods.** This component will also build the capacity of the NSC and through the members of the NSC, their associated networks to bring the evidence from the activities supported by the DGM to the various dialogue processes. It will also help the NSC promote greater coordination among various IPLC initiatives that have similar objectives.

Subcomponent 2.1: Strengthen Capacity of NSC and Emerging IPLC Leaders

52. **This subcomponent will assist in building the capacity of the NSC and emerging IPLC leaders to advocate for priority IPLC issues and effectively raise these issues to the attention of decision makers in the Government.** The capacity-building activities associated with this subcomponent will focus on three ways of promoting IPLC issues: (a) understanding the policy analysis and knowing how to obtain good policy analysis, (b) communicating about the key issues, and (b) participating in academic and legal drafting groups preparing regulations. The support will also assist the NSC and emerging IPLC leaders to receive inputs from their constituents on the key issues and learning from the DGM-I subprojects.

53. **Capacity building will include the following activities:**

- (a) Participation of persons receiving capacity building in relevant national or subnational dialogue related to livelihood and tenure issues of relevance to IPLCs
- (b) Participation in learning among IPLC communities
- (c) Training for NSC members and emerging IPLC leaders in
 - (i) Obtaining information on priority concerns and presenting these issues in a manner that is compelling to decision makers;
 - (ii) Communicating key issues;
 - (iii) Building networks, alliances, and partnerships with the Government, donors, other associations, and those who may not seem to be conventional allies (based on principles of constructive engagement);
 - (iv) Engaging in relevant legal and academic drafting processes; and
 - (v) Engaging in the overall policy process.

Subcomponent 2.2 Identify and Support Strategic Engagement in Policy Processes and Dialogues

54. **There are various ongoing efforts to inform the local and national processes related to decentralized forest management; village development; benefit sharing from REDD+ or other extractive activities (for example, geothermal energy); and development of steps for which issues of land rights and livelihoods are important.** Many of these efforts are led by the Government and involve the participation of CSOs, CBOs, academia, and other relevant groups. Some of these efforts include piloting approaches, dialogues at the national level, and development of subnational action plans and strategies.

55. **This subcomponent will provide resources to the participating IPLC leaders to discuss with their networks the possible policy processes and identify the most strategic processes.** It will also support the implementation of approaches to determine how to effectively engage in the selected processes. It could, for example, assist the NSC to develop a network map for specific issues to determine who to engage with. For example, assuming the following emerges as a priority, this subcomponent could support the engagement of the NSC or emerging IPLC leaders in the process that BIG is conducting for developing an SOP on data quality. This could entail support to groups that aim to provide their mapping data to BIG to conduct a data validation test and determine the ‘level of accuracy’ of the data or to work with BIG to advance efforts to formalize SOPs on data quality. It could also support engagement with the BPN to

build their database of situation maps using the maps that have been developed through DGM-I activities¹⁰ and make them useful to address land conflicts.

56. **The funding provided by this subcomponent will cover the cost of communicating with constituents, workshops for planning strategic engagement, and compiling and packaging the evidence.** Allocation of resources will be spread out across the duration of the project, prioritizing immediate areas where groups can inform policy, and reserving resources for expected processes in the near future.

Component 3: Project Management, Monitoring and Evaluation, and Institutional Development (US\$1.79 million)

57. **The DGM-I, while technically a fairly simple project, is complex because of the array of stakeholders that are involved when one considers land and livelihood issues.** Managing the project implementation and the tracking of performance and lessons learned will need to be robust to ensure timely delivery of the outcomes. The NEA will have a dedicated team of staff that will form a PMU within the NEA. The PMU will oversee project management and M&E. A dedicated M&E specialist will be employed full time to support project's M&E.

58. **This component will include support for several key aspects of project management.** It will support the M&E mechanism that will engage local communities and inform the implementation of the project in addition to tracking performance. The M&E system will also contribute to identifying lessons learned and will inform communications and outreach in Components 1 and 2. The component will also cover the cost of implementing the GRM and communications and feedback processes to encourage community participation throughout the project. A detailed M&E plan, including the staffing plan, is described in the POM.

59. **This component will also finance assistance to the subgrantees to comply with World Bank fiduciary and safeguards policies.** This will involve providing guidance to those that have not received such support before and ensuring that all interested parties are familiar with the project requirements and guidelines. It will also include providing training and mentoring in the areas where the subgrantees need assistance to comply with World Bank requirements.

60. **This component will also support the design and implementation of a strategy for the continued communication (exchange) between the NSC and the people it represents and ensure there is adequate capacity in the NEA for knowledge management (that is, coordinating appropriate and well-timed trainings and extracting lessons learned).** Implementation of the strategy will assist the NSC to champion the interests and views of their constituents and build the authority of the NSC among other stakeholders. This strategy will address how the NSC members will solicit views and interests of their constituents and how the

¹⁰ Such community-driven, land-use mapping exercises aim to create a level playing field by bringing key stakeholders, particularly communities, to collaboratively identify and record actual land use and claims and assess where existing and potential disputes are located. When such information is generated and used to inform policy processes and practical actions, activities could potentially serve as proactive and protective measures by which land management, conflict resolution strategies, monitoring, and conservation efforts could be further harnessed in a more cost-efficient and effective manner.

NSC will report back to these stakeholders on the advancements in addressing the identified issues.

61. **This component will finance the cost of monitoring compliance with safeguards, M&E, FM, procurement, safeguard specialists, communication/knowledge management specialists, and a project grants management team.** It will finance equipment, office space, and travel needed for management and supervision of the project. The component will also finance the travel and translation needed for effective participation of the NEA and NSC during World Bank supervision missions. The component will also include the financing for coordination of meetings between the NSC and NEA and meetings that involve the DGM constituents. The latter will be focused on providing updates on the program and activities and receiving any feedback.

ANNEX 2: IMPLEMENTATION ARRANGEMENTS

Indonesia: Strengthening Rights and Economies of *Adat* and Local Communities (P156473)

Project Institutional and Implementation Arrangements

- 1. An NSC is established in each FIP pilot country to oversee the DGM implementation in the respective country.** In Indonesia, the NSC was established in June 2014 and is composed of nine representatives of IPLCs. The process carried out for electing the NSC in Indonesia involved the Community Chamber of the DKN.
- 2. The DKN facilitated the process of the selection of the NSC for DGM-I.** In the national consultations for the DGM-I held in Bogor on June 27, 2013, it was agreed by all participants, that the NSC of the DGM-I would consist of nine IPLC representatives, including seven men and women representing indigenous peoples and two representatives for indigenous women and local communities. Following this, the DKN conducted seven regional meetings for IPLCs between March and June 2014 in Sumatera, Papua, Kalimantan, Maluku, Java, Sulawesi, and Bali-Nusa Tenggara. In addition, one national meeting was held specifically for indigenous women and women representatives from local communities.
- 3. The regional meetings selected nine NSC members:** Deff Tri Hamri (Sumatera region), George Weyasu (Papua region), Yunus Jefry Ukru (Maluku region), Mina Setra (Kalimantan region), Tri Indana (Java region), Bata Manurun (Sulawesi region), Lalu Prima Wiraputera (Bali-Nusa Tenggara region), Surti Handayani (Indigenous Women Representative), and Debby Rambu Kasuatu (Local Communities Representative). The elected NSC members have invited a representative from the MOEF to be an observer on the NSC to facilitate coordination with other efforts being implemented by the ministry. The World Bank as the lead MDB on the DGM-I will also have an observer seat at the NSC meetings.
- 4. The NSC will be involved in reviewing the selection of proposals from CBOs and CSOs and monitoring overall progress of the projects.** The NSC will review and approve the annual work plan of the NEA. In addition, a representative of the NSC is also expected to participate in the Technical Steering Committee for the FIP-financed projects and the Steering Committee of the FIP. To the extent possible, a representative of the NSC will also engage in coordination committees or their equivalents on REDD+ to ensure that DGM-I lessons are transmitted to ongoing national processes. The NSC will actively seek feedback from IPLCs on the program and identify needs. An IPLC member of the NSC also participates as member in the Global Steering Committee (the support for which will come from the Global DGM).
- 5. The NSC will be assisted by the NEA.** In Indonesia, the NEA was identified through a call for proposals and a competitive bidding process. The NEA will work in partnership with CSOs that will act as a 'bridge' between community groups and the NEA, helping community groups and CSOs and CBOs to conceptualize, carry out, and evaluate their initiatives. Through the CSO, the NEA will be in touch with, and be aware of, the challenges and success as perceived by project beneficiaries. The NEA will administer the grant mechanism and through the latter, select grantees for subprojects.

6. **The NEA will be responsible for the day-to-day implementation of the project under the guidance of the NSC, following the NSC approval of their annual work plan.** The NEA will also be responsible ensuring the project is implemented in accordance with the POM and for all the monitoring and reporting obligations. It will also be responsible for providing semiannual progress reports on the implementation of the program to the DGM Global Steering Committee.

7. **The specific roles and responsibilities of the NSC, NEA, grantees of subprojects, and the World Bank are outlined in the POM.** Capacity building for the NEA and the NSC was also conducted during project preparation and included a South-South exchange. It also included technical support from the World Bank team throughout the preparation process, which will be continued during implementation.

Project Administration Mechanisms

8. **The NEA will be fully responsible for project administration.** The NEA will establish a PMU that will be responsible for the day-to-day administration of the project. The PMU will have all the relevant expertise needed for administering the project (for example, project management, FM, procurement, safeguards, M&E, grievance redress, and gender). The PMU will draw on the NEA's fellows, staff, and consultants to support technical aspects of supervision missions.

9. **Component 1 activities will be financed through grants following the grant making process described below.** Proposals will be accepted for activities that combine Subcomponents 1.1, 1.2, and 1.3 combined or combine Subcomponents 1.1 and 1.2 and Subcomponent 1.1 and 1.3. The grants will be multiyear grants for which proposals would be developed by CBOs and CSOs in partnership with communities or networks of community groups and indigenous peoples groups.

10. **The proposals will be solicited during the first three years of project activity and it is expected that approximately 30 subproject proposals will be accepted.** Each of the CSOs and CBOs that receive the grants will work with communities.

11. **Over the life of the project, it is expected that there will be 38 subprojects of a maximum size of US\$70,000 will support Subcomponent 1.2 and 25 subprojects of a maximum size of US\$45,000 will support Subcomponent 1.3.** Each of these thematic subprojects will also be accompanied by a grant for Subcomponent 1.1 which will have a maximum value of US\$7,500.

12. **The proposal selection mechanism for Component 1 includes the following steps and is expected to require six to nine months:**

- (a) The NEA will announce a call for proposals in the mass media that is readily accessed in the seven regions.
- (b) The NSC and NEA will inform potential applicants about the opportunity for receiving support from DGM-I.

- (c) The NEA will receive and score proposals from the CSOs and CBOs interested in working in one or more of the seven regions. The review will be done against the primary set of criteria: (i) the community has started or has completed participatory mapping of territories or process for applying for forestry permits; (ii) intervention areas are part of vulnerable landscapes (for example, peatlands, lowlands, fire-prone areas, and small islands that are subject to pressure from industries such as mining and plantations); (iii) leverage other public, donor, or private support; and (iv) feasibility (both financial and political) and draw up a long list of final candidates.
- (d) The NEA will share their scoring of proposals and their list of finalists with the NSC.
- (e) The NSC will review the proposals and the results of the priority list by the NEA.
- (f) The NSC will send their no-objection or propose revisions to the short list prepared by the NEA.
- (g) The NEA will revise the list of selected proposals considering the recommendations of the NSC.
- (h) The NEA will conduct field visits, as needed, to validate the proposals and work with the CSOs and CBOs on engagement with the communities to refine the proposals. The NEA will also transfer knowledge to the DGM-I grantees during field visits and through coaching clinics or other on-demand capacity-building activities.
- (i) Simultaneously, the NEA will prepare a Grant Agreement with the selected CSO or CBO. The Grant Agreement will specify the tranches of payments. The first tranche will cover the costs of community outreach and mobilization.
- (j) The CBO/CSO will revise/refine their proposal and fulfill all the necessary information.
- (k) The NEA will review the revised proposal using the initial set of criteria (noted above in point c) and a few additional criteria such as percentage of women beneficiaries, community endorsement, and organizations' capacity.
- (l) The proposal will be selected for continued support or will be set aside if the organization has not met the expected standard. This list will be submitted to the NSC for their no-objection.
- (m) The NSC will provide their no-objection to the outcome of the NEA's review of proposals.
- (n) The NEA will prepare contract documents between the DGM-I and grantees.

13. **The specific details associated with the various steps of proposal selection are described in the POM.** The POM will also note that, with regards to proposal selection, the

World Bank, as the MDB overseeing the DGM-I, has the responsibility of ensuring that the correct procedures, as are laid out in the POM, are followed in issuing the call for proposals and selecting the subgrant recipients.

14. **Capacity-building support for Component 2 and support for participation in strategic policy events will be implemented by the NEA by procuring relevant consultants and covering the associated cost of participation.** The selection of the events will be conducted through a prioritization process that involves the NSC and NEA and helps deliver on the project objective.

Financial Management, Disbursements, and Procurement

Financial Management

15. **The NEA will be responsible for the FM aspect of the project.** Additional staff will be recruited to help the NEA perform the task. They will include two finance staff who will handle the overall FM function of the project, including one who will handle the FM aspect of the community grants and FM capacity building to CBOs and CSOs.

16. **Budgeting.** The project will follow budget breakdown agreed with the World Bank. Annual budgets will be agreed with the World Bank and any variations in budget will be communicated to the World Bank and reviewed during supervisions or as needed.

17. **Accounting and reporting.** The NEA uses Quickbook, a computerized accounting system. The system allows record of transactions based on sources of fund and budget line items. The project fund will be included and integrated into the overall NEA's financial statement. The system also allows to produce the project's transaction details within any reporting period. IFRs will be requested for this operation on a quarterly basis to facilitate monitoring in the format agreed with the World Bank. The report should be received at the World Bank no later than 45 days after each quarter end. Training will be provided by the World Bank during implementation.

18. **Internal control** The NEA has, in general, sufficient internal control in place, including segregation of the accounting and finance function and adequate financial guidelines in place. The main internal control risks are related to geographically dispersed project locations (across seven regions and in approximately 30 districts) with the low FM capacity of the community groups. Although the NEA is experienced in managing community grants, the number and value of such grants to be managed is increasing under the project. The POM will include community grant guidelines and will be developed and agreed to with the World Bank.

19. **Fund flow.** Project expenditure will be for community grants, travel, workshops and meetings, consultants, direct operational costs, and indirect operational costs. Payments from the DA will follow the FM manual of the NEA which was deemed to be acceptable during the assessment.

20. **Audit arrangements.** Project audit will be required annually to the project's financial statements with the audit terms of reference approved by the World Bank. The audit will also cover activities implemented by the community groups. In addition to opinion on the project's

financial statement, the audit will also assess the compliance of the project implementation to the related guidelines and also the effective and efficient use of project financing. The annual audit report will be submitted to the World Bank no later than six months after the end of each calendar year.

21. **Disbursement arrangement.** The applicable disbursement methods are Advance and Reimbursement. A DA denominated in Indonesian rupiah will be opened in a commercial bank under the NEA’s name. The DA will be a segregated account solely used to finance eligible project expenditures. The ceiling of the advance to DA will be variable based on six-month projected expenditures. Reports on the use of the DA funds and request for additional advance will be based on the quarterly IFR which should be submitted to the World Bank no later than 45 days after the end of each quarter and consist of (a) list of payments for contracts under the World Bank’s prior review and records evidencing such expenditures, or (b) statement of expenditures for all other expenses, (c) DA reconciliation statement, (d) IFR, and (e) projected expenditures for the next six months. Retroactive financing will be made available for payments made before the date of the Grant Agreement but on or after March 1, 2017, for eligible expenditures up to an aggregate amount not to exceed US\$30,000 as requested by the recipient.

22. **The NEA will be responsible for reconciling the DA and preparing applications for withdrawal of advances and preparing reports on the use of the DA.** All documentation for the expenditures as reported for disbursements will be retained at the implementing units and shall be made available to the auditors for the annual audit and to the World Bank and its representative if requested.

23. **Allocation of grant proceed.** The project will have two disbursement categories as noted in table 2.1. The World Bank-approved POM will provide guidance on the disbursement of the block grant to the recipients (CSOs and CBOs). The POM will provide guidance on the milestones for disbursements and specify financial reports required from the CSOs and CBOs on the utilization of the block grant fund and other key reporting requirements.

Table 2. 1. Disbursement Categories of the Project

Category	Amount of the Grant Allocated (US\$)	Percentage of Expenditures to be Financed (inclusive of taxes)
(1) Block Grants under component 1 of the project	3,985,000	100%
(2) Goods, non-consulting services, consulting services, training and operating costs under parts 2 and 3 of the project	2,340,000	100%
	6,325,000	

24. **FM action plan.** The agreed actions include the following:

- To develop a POM that includes guidelines for subproject grant activities. The POM will be agreed with the World Bank before the project is effective. All community groups will also receive training from the NEA on FM before any transfer is made to their account.

- The NEA will recruit additional staff to handle the FM aspect of the project, including to monitor the community grant activities. The staff will also be responsible for building the capacity of the subgrantees on FM.

Procurement

25. **Procurement will be carried out by the NEA's dedicated procurement staff.** The internal review and clearance for procurement decision will be in accordance with the NEA's own Procurement Manual. The NEA will develop a Procurement Plan that should list the procurement packages (above US\$500 equivalent); estimated cost; procurement method; prior or post review requirements; and a schedule outlining the planned timeline of when goods, works, non-consulting services and consulting services will be procured. The NEA will use the World Bank's online procurement planning and tracking tools (Systematic Tracking of Exchanges in Procurement (STEP)) to prepare, clear, and update its Procurement Plans and conduct all procurement transactions. The Procurement Plan will cover a period of at least the first 18 months of the project and will be updated at least once every 12 months, or as needed, by including contracts previously awarded and to be procured in the next period. All Procurement Plans of the NEA and their updates or modification shall be subject to the World Bank's prior review and no-objection before implementation. All Procurement Plans of the CSO/CBOs may not be processed through STEP; however, their updates or modifications shall be subject to the NEA's prior review and approval before implementation. No procurement process will be launched if not included in the approved Procurement Plan. The Procurement Plan will be made available by the NEA on the project's website and by the World Bank team on the Bank's external website. The Procurement Plan will be updated at least once a year or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Environmental and Social (including safeguards)

26. **The implementation arrangement and mechanism for managing and implementing the ESMF will be embedded in the overall management and implementation of DGM-I activities.** The specific roles and responsibilities of the NSC, NEA, CSOs, and CBOs are further elaborated in the POM.

NEA

- During proposal selection, the NEA will carry out an initial screening against the negative list and safeguard administrative compliance (that is, risk identification and proposed mitigation measures and evidence of broad community support) as part of proposal scoring and provide recommendations for proposal improvement and send to the NSC for review.
- During the validation visit, the NEA and NSC will assess risk levels of the proposed activities, the extent of community participation in proposal development and potential grantees' capacity to implement safeguards. Any follow-up action items will be documented and communicated to potential grantees.

- The NEA will conduct necessary safeguard capacity building (for example, training, workshop, mentorship) both during proposal refinement and project implementation. The NEA will provide technical assistance to project implementers (CSOs/CBOs) to develop necessary safeguard plans and/or to obtain environmental permits (UKL-UPL). To the extent possible, capacity-building activities will be tailored to the needs of each CSO/CBO.
- The NEA will provide regular oversight of the ESMF implementation. Field visits by the safeguard team will be conducted based on needs. CSOs/CBOs will report their progress on the ESMF implementation on a periodic basis. Any complaints received must be documented and recorded in the GRM database.

NSC

- The NSC will assist with socializing safeguard requirements to their constituents, including ineligible activities; the need for community participation; and free, prior, and informed consultations for any proposed activity.
- The NSC will review the screening results submitted by the NEA and incorporate their recommendations into the proposal evaluation and scoring.
- The NSC, together with the NEA, will conduct field verification to ensure fulfillment of safeguard requirements and communicate to their constituents necessary action plans before proposal approval.
- The NSC will, when circumstances warrant it and budget permits, participate with the NEA in the periodic supervision of the ESMF implementation and provide recommendations to the NEA on needed follow-up actions to improve project safeguard performance. Any complaints received must be documented and recorded in the GRM database.

Subgrantees (CSOs/CBOs)

- Participating CSOs/CBOs conduct necessary due diligence for safeguards including checking the proposed activities against the negative list; assessing potential impacts; ensuring community participation; and conducting free, prior, and informed consultations before and/or during proposal development.
- The CSOs/CBOs conduct a risk identification exercise for activities proposed and develop measures to mitigate potential risks and promote social inclusion and community participation. Selected CSOs/CBOs, under supervision and technical assistance from the NEA, will develop needed safeguard plans and obtain environmental permits as needed.
- Selected CSOs/CBOs will conduct supervision for the day-to-day implementation of the ESMF and provide capacity-building support (for example, on-the-job training, mentorship, training, and so on) in the case that communities become project

implementers. Any complaints received must be documented and recorded in the GRM database.

27. The proposed implementation arrangement is illustrated in figure 2.1.

28. **The DGM-I recognizes that capacity for implementing safeguard measures required in the ESMF may greatly vary across project proponents.** Acknowledging such constraints, the NEA will be responsible to ensure that capacity-building components are integral to the project design and gradually build on previous efforts to leverage understanding and awareness of safeguards among key actors. There are several steps envisioned under the DGM-I implementation where safeguard capacity building will be focused.

Proposal Validation

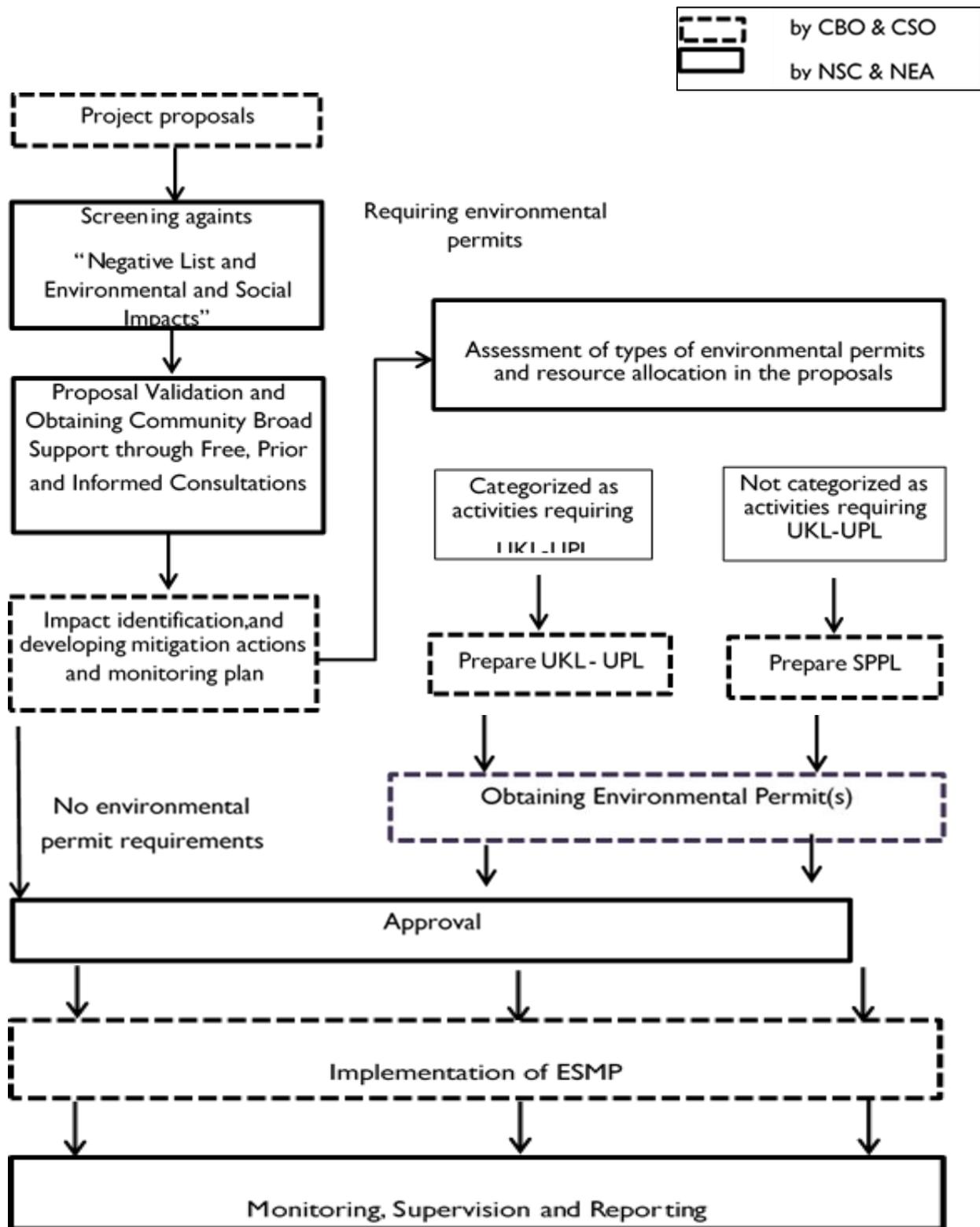
29. Once the list of selected proposals is finalized, by considering the recommendations of the NSC, the NEA and respective NSC members in the regions will conduct field visits to validate the proposals and work with CSOs/CBOs how they can, in coordination with the beneficiaries, refine the proposals, design safeguard measures based on activities proposed and ESMPs, and estimate resources required, including obtaining environmental permits if needed. Project proponents will continue to consult with the safeguard specialists in the NEA and, when unable to access the NEA specialist, with NSC members for any safeguard-related matters before the finalization of the proposals.

Capacity-building Sessions

30. In the subproject preparation and implementation, a series of capacity-building sessions will be delivered to DGM-I grantees to foster awareness, buy-in, and adherence with the ESMF and related safeguard measures needed to manage social and environmental risks as well as improve community participation in the project. Through these sessions, the project proponent can further tailor the safeguard measures for their proposal, particularly the ESMP as this needs to be budgeted in the proposals. They can also identify gaps that need to be addressed before implementation, particularly on oversight and capacity-building issues. The sessions will cover

- Community participation approaches, particularly in the areas of free, prior, and informed consultations and gender mainstreaming;
- Potential environmental and social issues in DGM-I projects and risk mitigation/management;
- Overview of policy and regulatory frameworks related to DGM-I and social and environmental management in Indonesia and procedures for obtaining environmental permits; and
- Design and development of ESMPs, integrating provisions of land and resource management, pest management, PCRs, community participation, and free, prior, and informed consultations.

Figure 2.1. Safeguard Implementation Arrangement



Implementation Support

31. **Implementation support will mostly be provided by safeguard and technical specialists in the NEA and, when needed, the NSC members.** The NEA will provide technical assistance to project proponents and participating communities to develop and implement necessary safeguards plans and/or to obtain environmental permits if needed. To the extent possible, capacity-building activities will be tailored to the needs of each CSO/CBO. The NEA will conduct regular oversight of the ESMF implementation and provide refresher training/workshops (mentioned above). The CSOs/CBOs will report their progress on the implementation on a periodical basis and will be encouraged to flag issues as early as possible to allow timely remedial actions.

Monitoring and Evaluation

32. **During implementation, the NEA will be responsible for overall monitoring of the DGM-I.** The NEA already has web-based monitoring tools that track inputs and outputs of various projects under NEA management. An assessment of these tools show that they are adequate to monitor grant-related activities such as budget, number of beneficiaries, timeline, and key activities. However, the tools need to be adjusted/tailored further to track some key indicators agreed in the Results Framework (such as number of participants in policy dialogue and community planning forum). The web-based monitoring platform will be made accessible to all participating communities to ensure transparency and to allow for community monitoring and check and balances. When possible, this platform will also be linked with a complaint handling system for easy tracking of all project indicators. In addition, because the project's M&E will also be used for learning and capacity-building purposes of participating NSCs, CBOs, and CSOs, the NEA will work together with the World Bank to develop a community monitoring mechanism that considers various experiences from the PNPM and other community-based projects such as KIAT Guru. The data and various reports collected/produced by the project will be shared with the community during the quarterly community meetings to allow for feedback from the community.

33. **In close collaboration with the World Bank and the NSC, the NEA will establish an M&E plan based on the indicators established in the Results Framework and progress will be tracked against these indicators during implementation.** The executing agreements with the subproject implementing agencies will also include the project indicators relevant to the activities to be financed. The NEA will also ensure that other relevant inputs indicators (such as number and amount of grants for subprojects, number of workshops/meetings conducted and number of participants by gender) are tracked and included in the web-based monitoring platform.

34. **The M&E plan will include at least two formal evaluations during the project execution period (including a midterm review) to track some of the indicators in the Results Framework and derive lessons learned from implementation processes.** If additional budget can be secured, an independent beneficiary survey will be conducted to verify data and obtain beneficiaries' view/experience of the project. The overall evaluation plans are outlined in the POM. The NEA will also be responsible for providing regular progress updates to the NSC and participating in implementation support missions to be undertaken by the World Bank up to

two times per year (up to three during the first year of implementation). The progress relating to the indicators will be reviewed during the supervision missions. A final evaluation will assess the achievement of indicators, sustainability of results and identify lessons learned that can be shared with similar projects as well as part of the larger DGM learning component.

35. The NSC will assist the NEA in monitoring progress on reaching the gender target and ensuring adequate communication, outreach, and community consultation.

ANNEX 3: IMPLEMENTATION SUPPORT PLAN

INDONESIA: Strengthening Rights and Economies of *Adat* and Local Communities (P156473)

Strategy and Approach for Implementation Support

- 1. The strategy for implementation support has been developed based on the nature of the project, capacity of the implementing agency, and its risk profile.** The aim is to provide timely and efficient implementation support to the NEA to ensure smooth implementation and achievement of the PDO.
- 2. Coordination with other World Bank-financed projects, including the FIP-financed project, One Map project, and other activities associated with the landscape program, will focus on integrating outputs and activities associated with the DGM-I with these projects.** The purpose will be to assist with scaling up the activities of project in a manner that is more systematic and coordinated with national efforts. For example, efforts will be made, when appropriate, to locate activities focused on improving livelihoods of IPLCs in communities where there also is support from the FIP-financed project. This would allow the proposed activity in the DGM-I to leverage investments and technical assistance from the FIP-financed project
- 3. Safeguards.** Safeguards implementation support will be part of the regular implementation support. Specifically, implementation support will include (a) advisory support on application of safeguards instruments developed during project preparation, specifically the ESMF and (b) review of detailed implementation of various project activities to ensure their compliance with the World Bank's safeguards policies.
- 4. M&E.** M&E implementation support will be part of regular implementation support. The support will include advisory support on the implementation of the M&E approach in the project.
- 5. FM.** Risk-based FM implementation support will be performed. This will involve desk supervision including review of IFRs and audit reports and two implementation support missions in one year. Training on the FM aspect of the project will also be given to FM staff within the PMU, and the CSOs and CBOs as needed, during the first year and when it is deemed necessary. The FM implementation support mission's objectives will include ensuring that strong FM systems are maintained throughout project tenure and are adequate to provide, with reasonable assurance, accurate and timely information of the grant required by the World Bank
- 6. Procurement.** Procurement implementation support will be part of the World Bank's regular implementation support mission. In addition to the support provided during the World Bank supervision missions for the project, which will be conducted at least every six months, there will be assistance to conduct the necessary procurement processes and ex post review of samples of contracts subject to post review (as indicated in the agreed Procurement Plan), which will be reported in June of every calendar year. The procurement implementation support will include advisory support to the NEA and CSOs/CBOs and hands-on training to the NEA on procurement arrangement and contract administration for the project, including the use of STEP.

7. **Legal support.** Implementation support will include verification that the legal conditions associated with the Grant Agreements have been met, to the extent that these are included.

Implementation Support Plan

8. **Technical inputs.** Technical inputs will be provided by technical specialists (including thematic, safeguards, and M&E) and the task team leaders. Technical specialists on the following aspects will be part of the team: land rights and land-use planning, community-based natural resource management, CDD mechanisms, rural development (with an understanding of these processes in *adat* communities), and, when needed, Indonesia’s Village Law. The team will also use the services of an Operations Officer as needed. Technical specialists will be part of formal supervision and field visits, to be carried out at least twice a year. Table 3.1 provides an indication of the level of support that will be available during the first twelve months and an indication of the level of support available after twelve months.

9. **Fiduciary requirements and inputs.** Due to the capacity of the executing agency, the fiduciary aspects will require close supervision. As such, the project will receive supervision support from an FM analyst and procurement analyst with experience in the implementation of similar projects.

10. **Safeguards.** Due to the nature of the investments, the project will require close safeguards supervision due to the high visibility of environmental and social aspects of REDD+. As such, the project will receive supervision support from three safeguards specialists with experience in the implementation of similar projects.

Table 3.1. Implementation Support Plan

Time	Focus	Skills Needed	Resource Estimate (staff weeks)	Partner Role
First twelve months	Institutional arrangements, technical elements (community based natural resource management and land rights), and project supervision	Task Team Leader	12	n.a.
	Procurement training and supervision	Procurement Specialist	4	n.a.
	FM training, supervision, and disbursement arrangements	Finance Officer	2	n.a.
	M&E arrangements	M&E Specialist	4	n.a.
	Safeguards supervision/environmental safeguards	Environmental Safeguards Specialist	4	n.a.
	Safeguards supervision/social safeguards	Social Safeguards Specialist	6	n.a.
	Technical supervision: technical aspects/land rights and participatory mapping	Land rights/Land-use planning specialist	4	n.a.
	Technical supervision as needed: indigenous peoples specialist and Village Law	Sr. Social Specialist	3	n.a.

Time	Focus	Skills Needed	Resource Estimate (staff weeks)	Partner Role
	Technical supervision: institutional and implementation arrangements	Operations Officer	2	n.a.
12–48 months	Project implementation supervision and technical elements (community based natural resource management and land rights)	Task Team Leader	18	n.a.
	FM supervision and disbursement monitoring	FM Specialist	8	n.a.
	Procurement supervision	Procurement Specialist	8	n.a.
	M&E implementation support	M&E Specialist	8	n.a.
	Safeguards monitoring/environmental safeguards	Senior Environmental Safeguards Specialist	8	n.a.
	Safeguards monitoring/social safeguards	Social Safeguards Specialist	8	n.a.
	Technical supervision: technical aspects/land rights and participatory mapping	Senior Land Specialist	6	n.a.
	Technical supervision as needed on Indigenous Peoples and Village Law	Sr. Social Specialist	8	n.a.
	Technical supervision: institutional and implementation arrangements	Operations Officer	6	n.a.

Table 3.2. Skills Mix Required - World Bank Team

Skills Needed	Number of Staff Weeks (range)	Number of Trips	Comments
Task Team Leader	6–12 annually	At least two missions per year with site visits	HQ-based
FM Specialist	2 annually	Site visits as needed	CO-based
Procurement Specialist	2–4 annually	Site visits as needed	CO-based
Environmental Safeguards Specialist	2–4 annually	At least two mission per year with site visits	CO-based
Social Safeguards Specialist	2–6 annually	At least two mission per year with site visits	CO-based
Technical aspects/land rights and participatory mapping	2–4 annually	At least two mission per year with site visits	CO-based
Technical aspects/Village Law and indigenous peoples	2–4 annually	At least one mission per year with site visits	CO-based
Technical aspects/Operations	2–4 annually	At least one mission per year	HQ or CO-based

Note: HQ = Headquarters; CO = Country Office.

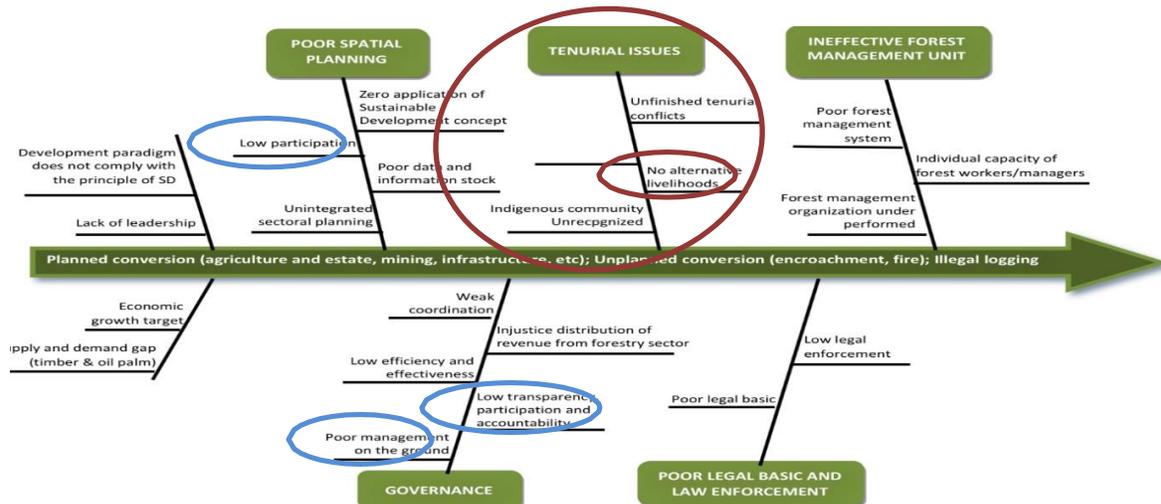
ANNEX 4: FINANCIAL AND ECONOMIC ANALYSIS

Indonesia: Strengthening Rights and Economies of *Adat* and Local Communities (P156473)

1. **The cost to society of unsustainable management of forestlands was most apparent when considering the negative externalities created by forest fires in Indonesia in 2015.** The estimated impact on the national economy of the 2015 fires—US\$16 billion—underscores how weak institutions and unsustainable management of the natural assets and land can compound the impact of weather patterns such as *El Nino*. These costs are often disproportionately borne by the poor and less-wealthy households living in or downwind from the provinces where forest fires are occurring. While the impacts of poor forest management are evident in the context of a fire, inadequate and unsustainable management also has ramifications for other regulatory and provisioning ecosystem services such as reduction of soil erosion, carbon sequestration, biodiversity habitat, and provision of wood and non-wood products.

2. **One of the underlying drivers for forest degradation and deforestation, as identified in the national REDD+ strategy, is tenurial issues and, as part of this key issue, lack of alternative livelihoods** (see the red circles in figure 4.1). The increasing demand for land for agricultural plantations (for example, for palm oil) and the weak recognition of local land rights have resulted in widespread land conflicts in Indonesia. In 2014, 60 percent of civil legal cases were regarding land conflicts. The ineffective systems for conflict resolution for these disagreements result in persistent land conflicts. Some of the unclear tenure issues also cause low participation of key stakeholders in spatial planning processes and result in weak governance as manifested in poor management on the ground (see the blue circles in figure 4.1).

Figure 4.1. Underlying Drivers for Forest Degradation and Deforestation



3. **Expansion in commercial production of timber and NTFPs has often further marginalized IPLC women.** Commercial forestry has negatively affected IPLC women through limiting access to food formerly collected in forests, increasing the time required to collect firewood and water. With the loss in access to land and forests, women often face difficulties

finding more formal employment and become economically dependent on the wages of male household members—with a worsening of their social status and traditional roles. The DGM-I recognizes these potential negative consequences and maintains a gender focus to identify impactful and economically viable livelihood options for women.

4. **The DGM-I, nested within the broader Indonesia FIP program and the SLMP, supports activities aimed at addressing tenure issues and improving forest-dependent households' livelihoods.** The project focuses on the capacity building and technical assistance needed to help clarify tenure over forest and land assets and to identify and obtain technical and financial support for priority interventions aimed at improving livelihoods.

5. **The project is expected to generate several co-benefits, as a result of greater tenure security.** A few of the co-benefits of building local stakeholders capacity to achieve tenure security include greater user confidence to invest in sustainable forest and land-use management. Co-benefits from the project are expected to also include improved benefit sharing arrangements and greater ability to IPLCs to safeguard their rights and resources. The provision of formal recognition of rights and better organization of local communities are expected to also reduce land conflicts. The latter is mentioned, while acknowledging that there are cases in Indonesia, where communities with titles have not received the legal backing for their land ownership. Overall, the project is also expected to reinforce the positive trend of gaining tenure security and at the same time help IPLC governance, organization, and capacity building.

6. **The project design for the subcomponent on improving access to livelihood services will assist with sustainable practices that combine short- and long-term benefits.** The project supports community-level no-regret interventions that align with IPLCs' priorities when it comes to natural resource-based livelihood support. In the short term, these activities provide direct and indirect benefits such as increased income from the sale of non-wood or wood products, greater access to sustainable energy and capacity building. These same interventions, over the long term, can help reduce GHG emissions from conversion of forestlands. These interventions are also justified from a socioeconomic perspective because the activities empower communities to manage and regenerate forest areas for harvesting timber and NTFPs can result in the establishment of cooperatives that are capable of managing business operations from technical forests to marketing, exploring the potential for conservation projects and ecotourism, and the formation of partnerships with KPHs. There are also socioeconomic co-benefits from addressing the imbalance that have plagued IPLC development in the past (for example, limited access to public services, financing). There are also environmental justifications for these interventions, independent of climate change considerations, because of the range of regulatory ecosystem services forests provide—including improved habitat for biodiversity, reduction in soil erosion, and so on.

7. **The World Bank has relevant experience in Indonesia with CDD projects, including PNPM Green and PNPM Peduli implemented by vulnerable rural communities.** Based on these prior experiences, the benefits of this project are anticipated to be cost-effective. The final evaluation for PNPM Green found that active subprojects generated positive results in terms of economic viability. The result is a function of the increased direct household income from selling products related to the subprojects and savings related to reductions in expenditure. The PNPM Green subprojects and activities (which include subprojects and activities on mangroves)

generated significant benefits related to restoration and enhancement of natural assets (environment and natural resources) and improved ecosystem services. With the maturing of trees, it was expected that several of the benefits will continue to be maintained and in some cases will increase because of the improved erosion control and improvements in soil fertility that resulted from the investments. In PNPM Peduli, the economic analysis assumed certain marginal benefits from access to services, economic livelihood, and social justice. The net present value and the internal rate of return (IRR) were estimated for two different scenarios for a 10-year investment horizon. The assumptions regarding beneficiary characteristics and income levels were based on the main project, the PNPM project beneficiaries. The optimistic case, with higher rates for income increases, resulted in an IRR of 17.3 percent and the more 'reasonable' income increases produced an IRR of 7.8 percent. In comparison, the annual discount rates in Indonesia at the time were over 10 percent.

8. The demand-driven nature of the project makes it difficult to conduct a conventional cost-benefit analysis for this project because project investments are not known. Noting this, a detailed ex ante cost-benefit analysis is not conducted, because it would require numerous assumptions and would result in inaccurate results that are not necessarily very meaningful. Instead analyses will be conducted for the activities that are completed before the midpoint of project implementation and at completion.