



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
STRENGTHENING RIGHTS AND ECONOMIES OF ADAT AND LOCAL COMMUNITIES
APPROVED ON MARCH 16, 2017
TO
SAMDHANA INSTITUTE INDONESIA

ENVIRONMENT, NATURAL RESOURCES & THE BLUE ECONOMY

EAST ASIA AND PACIFIC

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ABBREVIATIONS AND ACRONYMS

DGM-I	Dedicated Grant Mechanism Indonesia
FIP	Forest Investment Program
Gol	Government of Indonesia
IPLCs	Indigenous Peoples and Local Communities
MoEF	Ministry of Environment and Forestry
NEA	National Executing Agency
NSC	National Steering Committee
REDD	Reducing Emission from Deforestation and Forest Degradation

BASIC DATA

Product Information

Project ID P156473	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 16-Mar-2017	Current Closing Date 30-Jun-2021

Organizations

Borrower Samdhana Institute Indonesia	Responsible Agency Samdhana Institute Indonesia
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Project Development Objective (PDO)

Original PDO

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

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
TF-A4242	16-Mar-2017	27-Mar-2017	22-Jun-2017	30-Jun-2021	6.33	4.37	1.95

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. This restructuring paper seeks Level 2 restructuring for the Strengthening Rights and Economies of Adat and Local Communities Project introducing the following changes: (a) an extension of the project period by 17 months from June 30, 2021 to November 30, 2022; and (b) reallocation of remaining funds among the two components. The proposed changes will not alter the existing PDO nor safeguard considerations. This restructuring is expected to accelerate disbursement, implementation progress, and improve likelihood of fully achieving the PDO.

A. Background

2. The Dedicated Grant Mechanism Indonesia: Strengthening Rights and Economies of *Adat* and Local Communities Project (DGM-I or “the Project”, P156473; Grant No. TF0A4242) was approved by the Board of Directors on March 16, 2017 and became effective on June 22, 2017. The Project is funded through a grant from the Climate Investment Funds (CIF) in an amount of US\$ 6.33 million. It aims to enhance the capacity of participating Indigenous Peoples and Local Communities (IPLCs) to strengthen forest tenure security and improve their economic wellbeing, while supporting Indonesia’s efforts to reduce greenhouse gases (GHG) emissions. The Project is intended to complement the ongoing Forest Investment Program (FIP) in Indonesia (P144269) – also funded through the CIF – to ensure the full and effective participation of IPLCs as important stakeholders and participants in the Reducing Emission from Deforestation and Forest Degradation (REDD+) and broader forestry agenda. In doing so, the Project is recognizing the roles that IPLCs play, as owners and users of customary territories and stewards of the forests.



3. The Project has a National Steering Committee (NSC) advisory body, established through an extensive consultation process in 2013-14, that operates at a national and regional level (covering seven regions including Sumatra, Java, Kalimantan, Bali-Nusa Tenggara, Maluku, Sulawesi and Papua). The NSC is composed of nine members representing the seven regions and two women representing the Indigenous Peoples and Local Communities; and two observers (non-voting members) representing the National Forestry Council and Ministry of Environment and Forestry (under the Directorate General of Social Forestry and Environmental Partnership). The NSC selected the Samdhana Institute Indonesia, a non-governmental organization, as the National Executing Agency (NEA) through a competitive selection process. The NEA is responsible for managing the project grant and serving as the Secretariat that provides capacity building, technical support, and administrative oversight to help communities design and implement initiatives that reflect community priorities.

B. Project Status

4. The overall implementation progress (IP) and progress towards achievement of the PDO have been rated *Moderately Satisfactory*. Despite some challenges that have resulted in significant implementation delays and low disbursement, the Project has made significant progress towards achieving its objectives. Steady progress has been made in the selection and implementation of sub-projects and in the achievement of tenurial security for participating communities, which has taken place in a number of districts with varying levels of recognition. Notable achievements to date include: (i) three of the four PDO indicator targets have been achieved, with a notable achievement derived from livelihood related activities; (ii) three of six intermediate result indicator targets have been exceeded, with substantial progress achieved from the participation of IPLCs (including women); (iii) other indicators are on track to achieve their end-project targets.

5. The Project has concluded the selection process of subprojects with a total of 63 subgrantees selected (see Table 1), working with 172 IPLC groups in seven regions throughout the country (Sumatra, Kalimantan, Sulawesi, Java, Bali-Nusa Tenggara, Maluku and Papua). All subprojects are primarily working on tenurial rights, covering nearly 0.5 million hectares indigenous territories claims, with 14 out of 30 participating IPLCs having submitted evidence for recognition of tenure to the government. 11 subprojects have completed (mainly from the first batch of selection process).

Table 1: Number of Approved Subprojects by Theme and Activity Type

Category of theme and type of support/activity	# of subprojects
<i>Themes:</i>	
Tenure & livelihood theme	29
Tenure only theme	16
Livelihood only theme	18
<i>Type of support/activities:</i>	
Support for Adat Forest/ Territory	37
Support for Village Forest/ IPHPS	6
Support for Conservation Partnership	1
Support for Agrarian Reform	3
Support for Livelihood (only)	18



6. In addition, the Project has made modest progress on capacity strengthening, engaging IPLCs representatives in policy processes and dialogue, particularly on climate change, livelihoods issues and agrarian reform, including land tenure and social forestry.

7. At the same time, the COVID-19 pandemic has significantly affected the Project's performance and slowed down the achievement of some indicator targets due to mobility restrictions imposed by the government, in particular those related to on-the-ground activities such as monitoring and technical assistance to the subgrantees. As a result, the Project continues to experience low disbursement (69% of total budget) and fund utilization (with actual expenditure rate at 44%). This is attributed mainly to slow subproject implementation, reflecting the limited capacity of subgrantees. Given that the block grants under Component 1 represent the largest funding allocation, low subproject disbursement disproportionately affects overall project performance. Despite the delays, there has been important progress with some functions being undertaken virtually to accelerate implementation progress, such as the recent decision to finalize the last selection of subprojects virtually, and to undertake remote reporting and monitoring (through online meetings and phone calls) as an interim and complementary measure until such time that travel restrictions are lifted.

C. Rationale for Restructuring

8. This restructuring responds to the request from the Samdhana Institute Indonesia dated March 9, 2021 to: (i) extend the project closing date by 17 months from June 30, 2021 to November 30, 2022; and (ii) reallocate remaining funds among the two components and between two disbursement categories. Budget reallocation is essential to cover project management cost throughout the extension period and enhance capacity building and technical assistance for IPLCs groups (including emerging IPLCs leaders). There will be no changes to the PDO or the safeguards category. There are no pending audits for the Project.

9. The Project remains highly relevant. IPLC's tenurial security and clarity over rights remain important issues and are still high on the national agenda, given the strong link between such elements and access to natural assets, reduction of conflicts due to overlapping claims and enhanced livelihoods for forest-dependent communities. The Project is an important catalyst for helping bolster both the government's and IPLCs' interests to tenure clarity over forests and land and for improving livelihoods that will contribute to addressing poverty and drivers of deforestation. The proposed restructuring will allow the Project to contribute to the national priority agenda and to achieve the intended objectives, particularly regarding subprojects which represent the largest share of funding (63% of total project budget). Specifically, the restructuring will afford the NEA additional time and budget to provide needed technical assistance to subgrantees to expedite subproject implementation, and to facilitate policy processes and dialogue to accelerate agrarian reform and social forestry efforts as part of the national priority agenda, thereby strengthening the leadership skills and capacities of NSC and emerging IPLC leaders to enhance sustainability of project outcomes. The Project also provides a unique opportunity for a direct interaction of the IPLCs groups and local NGOs/CSOs to demonstrate the critical roles they can play in sustainable forest management, including in ongoing negotiation and decision making process, particularly on issues related to tenurial rights, at regional, national and international levels.

10. With sustained subproject implementation progress and the closing-date extension, the ratings for progress toward achievement of the PDO and IP are expected to improve, and the PDO is expected to be fully achieved.



II. DESCRIPTION OF PROPOSED CHANGES

11. The proposed revisions are outlined in the following and include:

(a) Extension of closing date. The closing date is extended from June 30, 2021 to November 30, 2022, for a total of 17 months This is the first such extension. The additional time will enable implementation of additional capacity building for subgrantees on technical and administrative aspects such as fiduciary management, safeguards management, and project monitoring and reporting. Such elements are critical to the success of both the subprojects and the overall project.

(b) Budget reallocation. The component budgets are being adjusted in line with Table 2 below. This reallocation is being done to allow for enhanced capacity building and technical assistance to IPLCs (Component 2), and to cover additional project management costs associated with monitoring compliance with safeguards, fiduciary, monitoring and evaluation, coordination and communication, including project staffing (Component 3). The increased budget for Components 2 and 3 is offset by a reduction in Component 1 (15% reduction of total budget allocation) given that all subgrants are in the implementation phase. The proposed changes are presented in the Table 2 below and are expected to increase the project management capacity of subgrantees and facilitate the provision of additional technical assistance and coaching by the NEA throughout the extension period. The proposed budget reallocation has also changed the allocation under two disbursement categories, as it reflected in Table 3 below.

Table 2: Changes to Project Costing

Project Component	Total Project Cost Allocation (US\$)		Rationale for Changes	Budget Change	
	Original allocation	Changes introduced by current restructuring		US\$ / % to Original allocation	% of Total Project Cost
1. Subgrants to Strengthen IPLCs Capacity to Enhance Tenure Security and Improve Livelihoods	3,985,000	3,404,332	Budget is reduced as all subgrants have been selected and are under implementation. There is no expectation of additional funding to subgrants.	580,668 / 85%	54%
2. Inform Policy Processes and Dialogue	550,000	811,658	Additional funding enables further enhancement of IPLCs capacity, to participate in policy processes and dialogues	(262,094) / 148%	13%



3. Project Management, Monitoring and Evaluation, and Institutional Development	1,790,000	2,109,010	This component is increased to provide additional project management costs consistent with the extension of closing date	(318,574) / 118%	33%
Total Costs	6,325,000	6,325,000			

Table 3: Budget reallocation between two disbursement categories

Category	Original Amount of the Grant Allocated (expressed in USD)	Revised Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Subgrants under Part I of the Project	3,985,000	3,404,332	100%
(2) Goods, Non-consulting Services, Consulting Services, Training and Operating Costs under Parts 2 and 3 of the Project	2,340,000	2,920,668	100%
TOTAL AMOUNT	6,325,000	6,325,000	

(c) **Revisions to the disbursement estimates and implementation schedule.** Both the disbursement and implementation schedules have been updated to reflect the 17-month extension period.

A. Appraisal Summary

- 12. **Technical:** No change.
- 13. **Financial management:** No change.
- 14. **Disbursement arrangement:** No change.
- 15. **Procurement:** No change.
- 16. **Environmental and social safeguards:** No change
- 17. **Economic and financial analysis:** No change.
- 18. **Risks:** No change



III. SUMMARY OF CHANGES

	Changed	Not Changed
Components and Cost	✓	
Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementation Schedule	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)



COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Subgrants to Strengthen IPLC Capacity to Enhance Tenure Security and Improve Livelihoods	3.99	Revised	Subgrants to Strengthen IPLC Capacity to Enhance Tenure Security and Improve Livelihoods	3.40
Inform Policy Processes and Dialogue	0.55	Revised	Inform Policy Processes and Dialogue	0.82
Project Management, Monitoring and Evaluation, and Institutional Development	1.79	Revised	Project Management, Monitoring and Evaluation, and Institutional Development	2.11
TOTAL	6.33			6.33

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-A4242	Effective	30-Jun-2021		30-Nov-2022	30-Mar-2023

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed
TF-A4242-001 Currency: USD				
iLap Category Sequence No: 1	Current Expenditure Category: SUBGRANTS PT. 1 OF PRJ			
3,985,000.00	1,924,371.60	3,404,332.00	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: GDS,CS,NON-CS,TRG&OC PTS.2&3			
2,340,000.00	1,269,304.74	2,920,668.00	100.00	100.00



Total	6,325,000.00	3,193,676.34	6,325,000.00
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DISBURSEMENT ESTIMATES

Change in Disbursement Estimates
Yes

Year	Current	Proposed
2017	100,000.00	100,000.00
2018	1,000,000.00	1,000,000.00
2019	1,900,000.00	1,900,000.00
2020	2,250,000.00	1,000,000.00
2021	1,080,000.00	1,200,000.00
2022	0.00	1,130,000.00
2023	0.00	0.00