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READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$ 3.6 MILLION

TO THE

REPUBLIC OF INDONESIA

FOR

REDD+ READINESS PREPARATION SUPPORT

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DATA SHEET

INDONESIA

REDD+ Readiness Preparation Support

READINESS PREPARATION PROPOSAL (R-PP) ASSESSMENT NOTE

EAP

EASID

Date: February 3, 2011 Country Director: Stefan Koeberle Sector Manager/Director: John Roome Project ID:P119404 Lending Instrument: TAL Team Leader(s): Giuseppe Topa, Werner Kornexl	Risk Rating: Medium Sectors: Forestry Themes: Climate Change	
Date of country selection into FCPF: August 2009 Date of Participation Agreement signed by Country: October 21, 2009 Date of Participation Agreement signed by Bank: November 19, 2009 Date of R-PP Formulation Grant Agreement signature: n/a Expected date of Readiness Preparation Grant Agreement signature: May 2011		
Project Financing Data:		
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<input type="checkbox"/> Credit	<input type="checkbox"/> Guarantee	
For Loans/Credits/Others: US\$ 3.6 million Total Project Cost (US\$M): N/A Cofinancing: N/A Total Bank Financing (US\$M): N/A		
Source	Total Amount (US\$)	
Recipient IBRD IDA New Recommitted Others FCPF	3.6 million	
Regional FCPF Trust Fund Number: TF093772 FCPF Country Child Trust Fund Number: TF099721		
Recipient: Republic of Indonesia Responsible Agency: FORDA, Ministry of Forestry: FORDA, Ministry of Forestry, Manggala Wanabakti Building, Block 1, 11 th Floor, Jl. Gatot Subroto, Senayan, Jakarta, Indonesia		
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Project Implementation Period: 2011 - 2013

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PURPOSE OF THE READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

As part of its responsibilities for the Forest Carbon Partnership Facility (FCPF), the World Bank has been asked to ensure that the FCPF's activities comply with the relevant World Bank Operational Policies and Procedures, in particular the Safeguard Policies, and the policies on Procurement and Financial Management.

The World Bank has also been asked to assist REDD+ Country Participants to formulate and implement their Readiness Preparation Proposals (R-PPs).

The purpose of this Readiness Preparation Proposal Assessment Note (R-PP Assessment Note), therefore, is for the Bank to assess if and how the proposed REDD+ Readiness Support Activity, as presented in the R-PP, complies with Safeguard Policies, and the Bank's policies on Procurement and Financial Management, discuss the technical quality of the R-PP, record the assistance it has provided to the REDD+ Country Participant in the formulation of its R-PP, and describe the assistance it might potentially provide to the REDD+ Country Participant in the implementation of its R-PP.

ABBREVIATIONS AND ACRONYMS

CO ₂ e	Carbon dioxide equivalent
CAS	Country Assistance Strategy
BAPLAN	Forest Planning Agency, renamed Directorate General of Forest Planning, DGFP
BAPPENAS	National Development Planning Agency
BMZ	The German Federal Ministry of Economic Cooperation and Development
CEA	Core Engagement Area
CERINDO	Carbon and Environment Research Indonesia
COP13	Thirteenth Conference of the Parties to the UNFCCC
CPS	Country Partnership Strategy
CCCP	Center for Climate Change and Policy
DA	Demonstration Activity
DGFP	Directorate General of Forest Planning
DKN	National Forestry Council
DNPI	National Council on Climate Change
DNPI	National Council on Climate Change
ESMF	Environmental and Social Management Framework
FAO	Food Agriculture Organization
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
FLEGT	Forest Law Enforcement, Governance and Trade
FM	Financial Management
FMS	Financial Management Specialist
GoI	Government of Indonesia
FORDA	Forest Research and Development Agency of the Ministry of Forestry
FRIS	Forest Resource Inventory System
GHG	Greenhouse Gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit, German Agency for International Cooperation
HCVF	High Conservation Value Forest
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFCA	Indonesia Forest and Climate Alliance
IFR	Interim Unaudited Financial Report
INCAS	Indonesia National Carbon Accounting System
IPPF	Indigenous Peoples Planning Framework
ITTO	International Tropical Timber Organization

KFCP	Kalimantan Forest Carbon Partnership
KfW	Kreditanstalt für Wiederaufbau
KLH	Ministry of Environment
KOICA	Korea International Cooperation Agency
KPH	Forest Management Unit (Kesatuan Pengelolaan Hutan)
LUCF	Land Use Change and Forestry
MoA	Ministry of Agriculture
MoFor	The Ministry of Forestry of the Republic of Indonesia
MOHA	Ministry of Home Affairs
MRV	Measurement Reporting Verification
Mt	Megatonne (million metric tonnes)
NGO	Non-governmental organization
PC	Participants Committee
PF	Process Framework
PIU	Project Implementation Unit
PSP	Permanent Sample Plot
PU	Ministry of Public Works
RAN GRK	National Action Plan to Reduce GHG Emission
REDD+	Reducing emissions from deforestation and forest degradation, and conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
REL	Reference Emission Level
RPF	Resettlement Policy Framework
R-PIN	Readiness Preparation Idea Note
R-PP	Readiness Preparation Proposal
SESA	Strategic Environmental and Social Assessment
TNC	The Nature Conservancy
UKP4	Presidential Working Unit for Development Monitoring and Oversight
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
UNREDD	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
VPA	Voluntary Partnership Agreement
WBS	World Bank System

Indonesia
REDD+ Readiness Preparation Support
CONTENTS

I. Introduction and Context	2
A. <i>Country Context</i>	3
B. <i>Sectoral, Institutional, and Implementation Context</i>	3
C. <i>Relationship to Country Partnership Strategy</i>	9
II. Project Activities and Project Development Objectives	10
A. <i>Project Activities</i>	11
B. <i>Project Development Objectives (PDO)</i>	Error! Bookmark not defined.
C. <i>Key Results</i>	15
III. Project Context.....	16
A. <i>Concept</i>	16
1. <i>Description</i>	16
2. <i>Key risks and Issues</i>	17
B. <i>Implementing Agency Assessment</i>	19
C. <i>Project Stakeholder Assessment</i>	20
D. <i>Governance and Approval of FCPF Financed Activities</i>	23
IV. Overall Risk Ratings	26
V. Proposed Team Composition and Resources, including Technical Assistance Provided by Bank Staff to Date	27
VI. Assessment Summary	29
A. <i>Technical</i>	30
B. <i>Financial Management</i>	30
C. <i>Procurement</i>	33
D. <i>Social and Environmental (including Consultation, Participation, Disclosure, and Safeguards)</i>	34
D.1. <i>Social (including Safeguards)</i>	37
D.2. <i>Environmental (including Safeguards)</i>	39
D.3. <i>Consultation, Participation and Disclosure</i>	40
D.4. <i>Safeguards Policies Triggered</i>	41
Annex I: Operational Risk Assessment Framework (ORAF).....	Error! Bookmark not defined.
Annex II: Preparation Schedule and Resource Estimate.....	47
Annex III: SESA Terms of Reference.....	49
Annex IV: DRAFT Communication, Consultation and Outreach Program	64
Annex V: Summaries of issues identified in recent consultation processes	71
Annex VI: The National Forestry Council and FCPF Activities	78
Annex VII. REDD+ Related Donor Funded Projects in Indonesia	81

Indonesia

REDD+ Readiness Preparation Support

Introduction and Context

The Forest Carbon Partnership Facility (FCPF) is assisting developing countries in their efforts to reduce emissions from deforestation and forest degradation (REDD). The FCPF was announced at CoP13 in Bali in December 2007 and became operational in June 2008.

The FCPF is helping build the capacity of developing countries in tropical and subtropical regions to reduce emissions from deforestation and forest degradation and to tap into any future system of positive incentives for REDD. The aim is to enable countries to tackle deforestation and reduce emissions through REDD+ as well as to develop capacity for assessment of measurable and verifiable emission reductions.

The FCPF's initial activities relate to technical assistance and capacity building for REDD+ in IBRD and IDA member countries in the tropics across Africa, East Asia and Pacific, Latin America and the Caribbean and South Asia. Specifically, the FCPF assists countries in working out their national reference scenarios for emissions from deforestation and forest degradation, adopting and complementing national strategies for stemming deforestation and forest degradation, and designing national monitoring, reporting and verification systems for REDD. These activities are referred to as 'REDD+ Readiness' and are supported in part by the Readiness Fund of the FCPF.

It is expected that approximately five countries will have made significant progress towards REDD+ readiness and will at the appropriate stage also participate in the Carbon Finance Mechanism and receive financing from the Carbon Fund. Specifically, these countries will benefit from performance-based payments for having verifiably reduced emissions from deforestation and/or forest degradation through their Emission Reductions Programs. The structure of these payments will build on the options for REDD+ that are currently being discussed within the United Nations Framework Convention on Climate Change (UNFCCC) process, with payments made to help address the causes of deforestation and degradation.

The experiences generated from the FCPF's methodological, pilot implementation and carbon finance experience will provide insights and knowledge for all entities interested in REDD. The FCPF thus seeks to create an enabling environment and garner a body of knowledge and experiences that can facilitate development of a much larger global program of incentives for REDD+ over the medium term.

Thirty-seven countries from Asia, Latin and Central America, and Africa have been selected as REDD+ Country Participants in the FCPF Readiness Mechanism, based on Readiness Plan Idea Notes reviewed by the Participants Committee and independent reviews by a Technical Advisory Panel.

Many of these REDD+ Country Participants receive grant support to develop a Readiness Preparation Proposal (R-PP), which contains a detailed assessment of the drivers of deforestation and forest degradation, terms of reference for defining their emissions reference level based on past emission rates and future emissions estimates, establishing a monitoring, reporting and verification system for REDD, and adopting or complementing their national REDD+ strategy. A Consultation and Participation Plan is also part of the R-PP.

A. Country Context

Indonesia has made remarkable progress over the last decade in terms of macroeconomic and political stability. Macroeconomic performance since the late 1990's has seen consistent output growth and rapid decline in external imbalances. Increased growth has been grounded on increasing private sector investments, sustained domestic consumption and generally sustainable external surpluses. Under a controlled inflation and rising incomes, Indonesian citizens have enjoyed improving living standards and poverty levels have fallen, although many remain close to the poverty line. In addition, as the result of a sustained decade of relatively successful political and institutional reforms, Indonesia in 2010 is a highly competitive, decentralized electoral democracy.

Despite impressive economic performance and remarkable transformation and consolidation of the political system, Indonesia needs to build on its current robust foundation and accelerate growth while ensuring that this growth is inclusive and sustainable. Land use and forestry, and peatland conversion are, among others, critically important issues to be tackled in the sustainable development path of Indonesia. The GoI's recent Second National Communication on Climate Change (December 2009) reports average annual emissions of about 1.66 gigatonnes of carbon dioxide equivalent emissions for the period from 2000-2004. Land use change and forestry (LUCF) and peat fires account for the vast majority of Indonesia's emissions – over two-thirds of the total in an average year. Energy use is the distant second largest source of emissions, but one of the fastest growing. Power sector emissions are growing most rapidly due mainly to conversion from oil-fired to coal-fired power generation plants. Transportation is also a major fossil fuel consumer, due to the rapidly growing number of vehicles, poor fuel quality, and a lack of investment in mass transport systems.

B. Sectoral, Institutional, and Implementation Context

Sectoral Context

The Readiness –Preparation Proposal (R-PP) presents a very comprehensive overview of the drivers of deforestation and forest degradation. The analyses are largely based on Indonesian Forest and Climate Alliance (IFCA) reports prepared in 2008 for the COP13 conference in Bali.

Rapid deforestation, illegal logging, forest fires, and peat-land degradation cause emissions, deplete Indonesia's natural assets, undermine revenue generation potential, and undermine community livelihoods. Indonesia emits significant amounts of greenhouse gases (GHGs), mostly from forest loss and land-use change. Deforestation and forest fires reduce Indonesia's development potential. Most deforestation and fire losses occur in just 10 provinces (78 percent

of dry forest loss and 96 percent of swamp forest loss). Riau, Central Kalimantan and South Sumatra alone account for over half of all forest degradation and loss. While efforts to measure emissions more precisely continue, there is a broad consensus within the GoI that forestry and land-use are key targets for mitigation.

Forestry and land-use governance issues are complex and challenging, but their patterns are reasonably well understood. Key issues contributing to deforestation are: (i) weak legal and political accountability; (ii) policies favoring large-scale commercial activity over small- and medium-sized businesses; (iii) distorted incentives for timber pricing and transport; (iv) an inadequate legal framework for protecting the poor and indigenous land-users; (v) undervaluation of forest assets and low revenue capture; and (vi) corruption. These underlying issues lead to more proximate causes that give rise to visible impacts on the landscape, as well as GHG emissions and societal losses. Any scheme to change practices or reduce deforestation needs to be understood in this wider context of upstream institutional, legal, governance, and incentive issues that cause downstream outcomes on forest and peat land.

Progress on forest governance, land tenure rights and Indigenous Peoples issues is essential for successful performance in a national REDD+ program. Besides providing jobs and cash incomes, forests are essential to the needs of the poorest households in forest areas, who rely on them for fuel, medicines, food, construction materials and other goods. While estimates of the number of people that depend on forests in Indonesia vary, some 20 million people live in villages near forests, of which about 6 million receive a significant share of their cash income from forest resources. The population sizes of ethnic and sub-ethnic groups vary with the smallest groups often the most vulnerable and characterized by traditional lifestyles that depend on access to forests.¹

National REDD+ Developments

The R-PP suggests a preliminary REDD+ strategy based on (i) the implementation of strategies for more effective conservation and management of Protected Areas and Production forests; (ii) Strategies for forest and paper industry to procure their supply from sustainably managed sources created from degraded land; (iii) Strategies for shifting the expansion of palm oil plantations towards non-forest(ed) land based on improved spatial planning; (iv) Restoration of peatland; and (v) Enhancement of the capacity of community groups, including *adat* communities to engage in forest management, through REDD+ activities.

Since COP 13 in Bali, Indonesia has prioritized climate change planning and action, with the President announcing a commitment to reduce greenhouse gas (GHG) emissions by 26 percent by 2020. National strategies and action plans recognize that land use change and forestry are the main sources of Indonesia's emissions. In May 2010, Indonesia signed a Letter of Intent with Norway (Norway LoI) to enter a path-breaking, performance-based initiative for accelerating action on REDD+. The REDD+ Initiative establishes a phased program of action, focusing first

¹ Tenure and land use issues are among the important governance issues that have been identified in most studies and consultation processes. There is a large literature, as well as civil society, research and advocacy institutions devoted to tenure, social and livelihood issues in the forestry sector. The works of CIFOR, ICRAF, Nawir, and Contreras – Hermosilla, as well as the work of the MOFR's Working Group on Land Tenure are summarized in the "Strategic Options" Paper, a major forestry ESW paper prepared by the Bank, in collaboration with key forest donors and CIFOR and ICRAF in 2006.

on establishment of a national strategy, a management agency, an agency for monitoring, reporting and verification, a pilot province, and a financing instrument.

In order to reach its 2020 emissions target and to comply with the timeline set forth in the Norway LoI, Indonesia is preparing a National REDD+ Strategy and a National Action Plan to Reduce GHG Emissions (“RAN GRK”) The November 2010 draft of the National REDD+ Strategy has five components as follows (an improved version is under review and will be more broadly consulted):

Strategy component 1: Completion of spatial planning and balanced land use in an effort to reduce deforestation while maintaining national economic growth. Activities include:

- Suspension/moratorium of new permits for forest and peatland conversion, as well as reduction of other emission sources and protection/maintenance of carbon stocks. A final presidential decree could be issued anytime soon (as of February 7).
- Settlement of tenure issues: (i) Unclear forest status and boundaries, (ii) Indigenous peoples who have informal management rights in forest management, (iii) Unresolved land conflicts.
- Development of green economy for tangible and non-tangible forest resources.

Strategy component 2: Increased Control and Monitoring. Activities include:

- Improvement of spatial data and information
- Preparation of a national standard measurement of GHG emissions, in line with international protocols and good practices
- Establishment of an independent national institution to conduct the measurement and reporting of GHG emissions, which supports the existence of (1) coordination mechanism and (2) reporting mechanism to various institutions at national and international level

Strategy component 3: Improving the effectiveness of forest management activities. Activities include:

- Improvement of the effectiveness of forest management through: (i) implementation of sustainable forest management planning, and (ii) improvement of the performance of forest management organizations
- Good Forest Governance: increased transparency in the process of drafting legislation, decision-making, grant making, transparent engagement, and effective conflict resolution mechanism
- Improvement in legal policy through: (i) Revision of Law No. 41/1999 on Forestry, especially in the aspect of division of responsible authorities; (ii) Improvement and harmonization of land user sector legislation, (mining, agriculture and spatial planning), and (iii) Improvement of various checks and balances and technical rules.

Strategy component 4: Involvement and participation of stakeholders in reducing GHG emissions. Activities include:

- The inclusion of various stakeholders, including: Local governments, communities, NGOs, indigenous peoples and forest communities, as well as the international community

Strategy component 5: Improving and strengthening the legal basis for forest management.

Activities include:

- Strict and consistent enforcement of administrative law
- Strengthening the enforcement of criminal law, strictly and consistently, to create legal certainty and deterrent effect, and the establishment of One Roof Enforcement System (ORES)
- Increased technical capacity of law enforcement officers (quantity and quality)
- Strengthened community supervision of law enforcement process

Parallel to developing a REDD+ policy framework, Indonesia is promoting Demonstration Activities (DA) in collaboration with other countries as well as international agencies. Selection of the DAs takes into consideration the diverse forest condition in the country as well as conditions of socio-economic and customary practices of local communities, in particular those who are living in the vicinity of forest areas and who use the forest to sustain their livelihood and improve their well-being.

Most Demonstration Activities are at the scope of administrative jurisdictions (districts), but there are also a number of project based approaches (single landowner/concessions or Ecosystem Restoration Projects, etc.) The Ministry of Forestry has approved a number of official Demonstration Activities (currently 16) but more than 60 are on the waitlist. Among the official Demonstration Activities the following agencies are supporting DAs:

- KFCP project (*Kalimantan Forest Carbon Partnership*) in Central Kalimantan, in collaboration with the government of Australia. World Bank involvement in providing performance based payments to beneficiaries;
- GTZ project in East Kalimantan, in collaboration with the government of Germany;
- TNC project in East Kalimantan, supported by *The Nature Conservancy*;
- KOICA project in West Nusa Tenggara, in collaboration with the government of South Korea;
- ITTO project in East Java, supported by the International Tropical Timber Organization;
- UNREDD project supported by the UN agencies of UNEP, UNDP and FAO.
- Central Kalimantan selected recently as a REDD+ pilot province under the Norway LoI.

These Demonstration Activities are in different stages of implementation. Some activities are ongoing, while others are still in an early design phase. Implementation of Demonstration Activities may involve technical assistance, and may call for policy changes and investments in physical infrastructure. These activities are being proposed and implemented with currently very little oversight by the Federal Government.

The implementation of the REDD+ Readiness strategy is supported by a number of relevant regulations. The Ministry of Forestry has issued three main regulations on REDD: Ministerial

Regulation Number 68 of 2008 on the Implementation of Demonstration Activities on Reduction of Emission from Deforestation and Degradation; Regulation Number 30 of 2009 on Reducing Emissions from Deforestation and Forest Degradation; and Regulation Number 36 of 2009 Regarding Procedures for Licensing of Commercial Utilization of Carbon Sequestration and/or Storage in Production and Protected Forests².

Regulation Number 30 of 2009 on Reducing Emissions from Deforestation and Forest Degradation sets out how Indonesia will manage activities related to REDD+ implementation. The regulation sets forth a system of national accounting with sub-national implementation (through projects and sub-national programs). In addition, the regulation sets out a number of items relevant to the implementation of REDD+ Demonstration Projects.

The GOI's main climate change documents have been launched at multi-stakeholder events. Climate change and REDD has been an issue of national prominence since UNFCCC COP13 was held in Bali in 2007. Some highlight events include:

- 18 communication and outreach events that lead to the preparation of the FCPF Readiness Preparation Proposal in 2008 and 2009. All issues raised during this process are listed in the Readiness Preparation Proposal (page 15 – 22 of the RPP). (See Appendix for the list).
- Consultation on Indonesia Climate Change Sectoral Roadmaps and GHG reduction plans, November 2009; Launched 31 March 2010, Bappenas
- Indonesia's 2nd National Communication to UNFCCC, November 2009, Hotel Borobudur
- National REDD Strategy consultations, March 2009 and September 2009
- DNPI - Mitigation cost curve consultations, June-July 2009; Launched Oct 2009
- ICCTF (Indonesia Climate Change Trust Fund) consultation, June-September 2009; Launched Oct 2009
- UNREDD Planning Process and Consultations, August-Oct 2009
- FCPF Planning Process and Consultations , Sept 2009 and May 2010 (see Annex)
- UNREDD sponsored consultations on National REDD+ Strategy, June – August 2010, with National Consultation Workshops in September and November 2010 (see Annex)
- WBG consultations on Global Oil Palm Strategy, with Indonesian stakeholders (raising climate, land use, tenure issues), Jakarta, Medan and Pontianak, May 2010, plus ongoing web based consultation. Note that this process resulted in issues summaries that remain relevant and key stakeholder groups were engaged and were able to use the process to clarify and document their understanding and positions, thus creating a platform for further consultation under FCPF and other REDD+ related activities.

² Note that the validity of Regulation Number 36 of 2009 is under question as the regulation covers the distribution of non-tax revenue, which can only be determined by the Ministry of Finance.

Summaries of key stakeholder inputs from several of these consultation processes are provided in Annex V.

The Ministry of Forestry used feedback from stakeholders in shaping regulations related to REDD+, including the regulation on the implementation of REDD+ demonstration activities (PERMENHUT No. P30/Menhut-II/2008), the decree on establishing the Working Group on Climate Change (SK.13/Menhut-II/2009), as well as the regulation on REDD+ licensing procedures (PERMENHUT No. P36/Menhut-II/2009).

Institutional Context

The institutional arrangement for REDD+ in Indonesia is currently being reviewed in the context of the partnership with Norway. To handle management and implementation of this initiative, in October 2010, the President formed a high level REDD+ Task Force (Presidential Decree 19 of 2010) headed by his Monitoring and Delivery Unit (UKP4) and including high officials from Finance, BAPPENAS, Forestry, Environment, National Land Agency and National Council on Climate Change. See Figure 1.

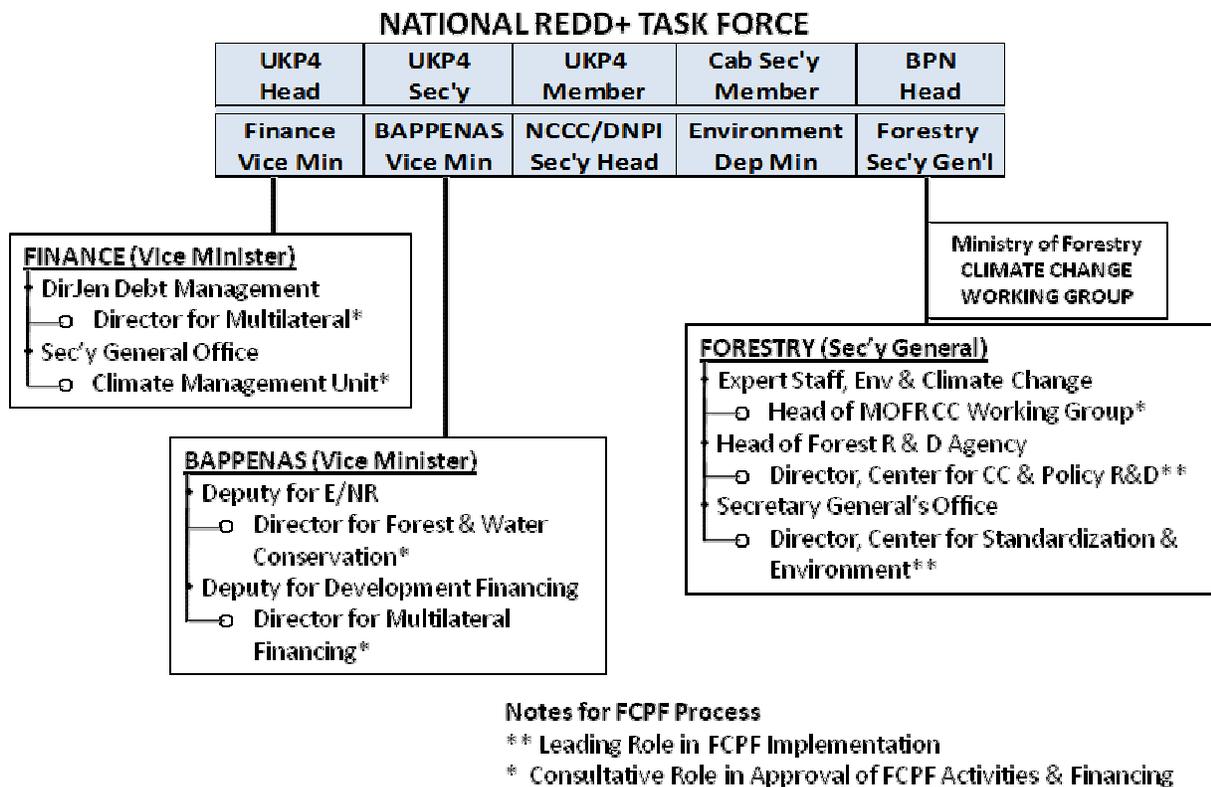
Indonesia is relatively advanced in its REDD+ development efforts and the establishment of this national initiative and coordination body is expected to accelerate and focus action toward results. This set up ensures that REDD+ institutional, policy and financing decisions are based on national level strategic considerations. The REDD+ Task Force is new and the role of the UKP4 is evolving; coordination procedures will include regular meetings and briefings, delivery of common reports and collaboration on workshops and public meetings. Coordination procedures and requirements will be communicated and implemented through the Task Force, which is comprised of representatives of all relevant Ministries and Agencies, with links to operational units, as shown in Figure 1.

To coordinate its own activities and to support its representation on the National REDD+ Task Force, the Ministry of Forestry has created a Climate Change Working Group (Ministerial Decree SK. 624/Menhut-II/2010 of November 9, 2010). This is chaired by the Secretary General and run by an Expert Staff, with all Directors General as members. The Working Group has three sub-groups, with representation from across the Ministry. The two director-level units (Center for Climate Change and Policy and the Center for Standardization and Environment) mainly engaged in designing and implementing FCPF activities are well represented on the Ministry Working Group and provide direct support through the Secretary General's office and the Director General of the Forestry Research and Development Agency. The structure of the Ministry's Working Group appears in Figure 2.

The FCPF grant implementation will be reporting to a Steering Committee that will be created by Ministerial Decree. The Steering Committee will be chaired by a representative from the Ministry of Forestry and will have representation from other relevant Ministries and agencies, such as the Ministry of Finance, Bappenas, DNPI, the REDD+ Task Force and Ministry of the Environment and needs to be created at the latest 2 months after Government countersignature of

the grant agreement The involvement of those agencies and Ministries will guarantee the relevance of the FCPF activities in the overall REDD+ readiness context of Indonesia.

Figure 1: Indonesia REDD+ Coordination Framework at Ministerial Level



C. Relationship to Country Partnership Strategy

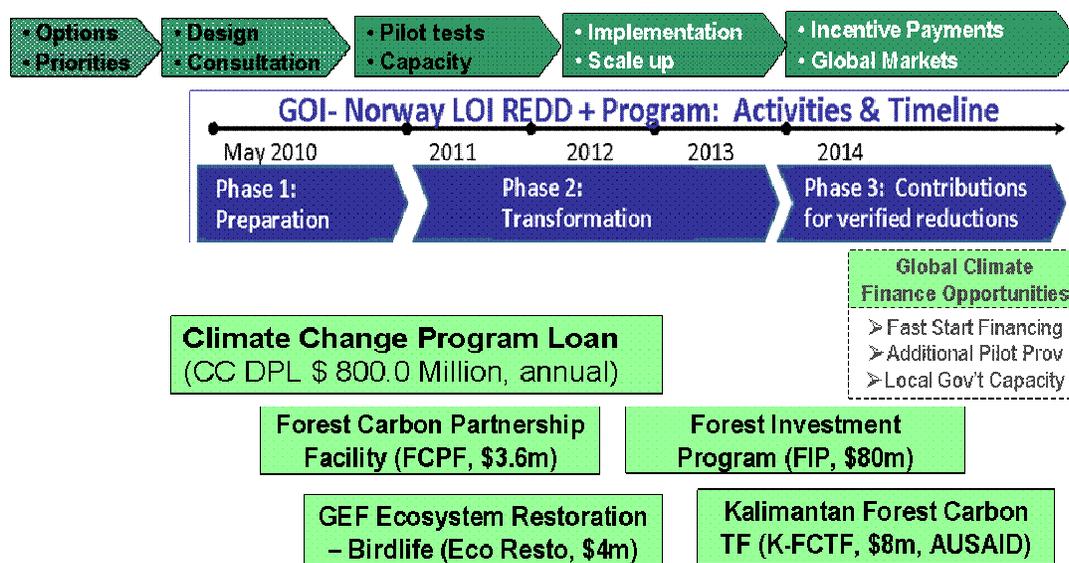
Indonesia's Readiness Preparation Proposal (R-PP), formerly called Readiness Plan (R-Plan) was prepared in 2009 and endorsed by the FCPF Participants Committee for accessing US\$ 3.6 million. The R-PP intends to assist Indonesia in preparing for a future REDD+ regime, which ultimately will lead to sustainable financing and improved management of forest resources according to sustainable principles. Since 2009, the Government of Indonesia has been preparing for REDD+ using either own or grant resources from AusAid, GIZ, KfW, UN-REDD and others.

The proposed activity is aligned with the Country Partnership Strategy (CPS) 2009-2012 for Indonesia, particularly Core Engagement Area (CEA) No. 5: Environmental Sustainability and Disaster Mitigation. Climate change issues are at the center of this area and deforestation and forest degradation contribute 80 percent of Indonesia's GHG emissions. In addition, the activity is aligned with the Principles and Practices laid out in the CPS which include strengthening, where possible, the incentives and processes to promote accountability for increased government effectiveness, through for example social accountability mechanisms to leverage voice and participation. The extensive consultation and outreach component of the activity is designed to

strengthen accountability and transparency by encouraging greater public participation in policy making and policy monitoring processes.

The project is also consistent with, and complementary to, the Bank’s other policy engagements and TA activities on forestry, such as the Climate Change DPL and the AAA on Palm Oil (ongoing activities) and the Forest Investment Program (FIP), GEF on Ecosystem Restoration Projects and the Kalimantan Forest Carbon TF (under preparation) which are together trying to build up the regulatory, institutional and technical base needed for Indonesia to support activities that reduce emissions from deforestation and forest degradation. In parallel and in collaboration with JICA, AFD, World Bank and ADB, the GoI has also developed the Climate Change Program Loan series with policy milestones on forestry, energy, adaptation and institutional development. The GoI is also financing REDD+ Preparation activities funded under UN REDD, GEF and other sources, and is planning for strategy development and investment under the Forest Investment Program (of the Climate Investment Funds). The following figure shows the relationship among REDD+ and forest climate finance mechanisms established by GoI under the Letter of Intent.

Figure 2: Indonesia’s REDD+ Development Process: Integration of Bank Instruments Supporting REDD+ with LOI Timeline



Project Activities and Project Development Objectives

The Development Objective of this grant is to contribute to the development of Indonesia’s capacity to design a sound national REDD+ strategy, develop national and sub-national reference scenarios and establish a forest monitoring and carbon accounting system, consistent with local, regional and national conditions and circumstances.

As such these development objectives would be monitored through the following indicators:

1. A SESA is prepared and endorsed by national stakeholders including competent government agencies,
2. Conditions and circumstances impacting the National Reference Scenario (baseline) are quantified and discussed with relevant stakeholders, and
3. Studies on drivers of deforestation, revenue sharing options and investment options that further strengthen the national REDD+ Strategy are prepared and endorsed by the Government, after discussion and validation by stakeholders.

The FCPF grant will finance a subset of the overall financial and technical inputs required for Indonesia to reach REDD readiness. The FCPF activities were consulted with donors and other programs and considered strategic for the achievement of readiness.

Additional inputs will be provided by other Donors and the Government of Indonesia with which the FCPF Grant will actively cooperate (a complete list of REDD+ related donor activities is provided in Annex VII). The most relevant activities with highest needs for coordination are:

- Norway LoI (first phase) 30 million: support to REDD+ agency set up, preparation of REDD+ Strategy, creation of MRV agency and preparation of one subnational Demonstration Province (Central Kalimantan);
- IFCI (Australia) 3 million: Support to national Carbon Accounting System, implemented by Ministry of Forestry
- UN-REDD grant 5.6 million: Readiness activities, mostly at subnational level, support to carbon accounting system;

As mentioned earlier, more than 60 REDD Demonstration Activities are currently being developed by bilateral donors, NGOs and private companies, at a province or district level and/or project level, such as the Kalimantan Forest Climate Partnership (Australia), the Sumatra Forest Carbon Partnership (Australia), the Forest & Climate change Program (Germany), Berau (TNC), etc.

The overall coordination of the readiness activities will be the task of the Government of Indonesia, through its REDD+ Task Force and/or its future REDD+ Agency. Furthermore, the World Bank will coordinate with other donors to make sure that activities financed under this grant will not be covered by other initiatives and that the results will be discussed and consulted with relevant stakeholders.

A. Project Activities

The FCPF program has four main components:

(i) Analytical Work including the study of the causes of deforestation and of investments and other interventions needed to reduce deforestation and greenhouse gas emissions.

(ii) Support to Readiness Process. This component will include: the assessment of recent and new REDD+ relevant regulations; capacity building of institutions and stakeholders; a quick assessment of revenue sharing options; a large subcomponent of consultation and outreach to cover all actors including Indigenous Peoples; and the completion of a Strategic Environmental and Social Assessment (SESA) and the preparation of an Environmental and Social Management Framework (ESMF).

(iii) Assessment and measurement of GHG impacts of land use change. This component will study and measure the effect of land use change on carbon stocks, will develop time series of land use change, and will support a system to monitor carbon stocks at the ground level. Carbon Stock assessments and Monitoring will be mainly financed by FAO (UN-REDD) and AusAid .

(iv) Regional Data Collection and Capacity Building. The fourth component of the project will facilitate relevant REDD+ activities at the sub-national level by gathering socio-economic and biological data and other parameters as appropriate.

Activities in detail:

Activities	Target Output	Fund Management	
		World Bank	Ministry of Forestry
Focus Area 1: Analytical work (USD 268,900)			
1.1 Analyze drivers of deforestation from a development perspective, land use demands, and demographic development	Synthesis and analysis drawing primarily from available assessments and studies on deforestation in Indonesia with specific focus on future land use demands and demographic development.	USD 90,000	
1.2 Screen options for priority investments to reduce deforestation and forest degradation including a trade-off assessment	Compilation of options for main investment types to reduce drivers of deforestation based on existing program proposals, discussion of pros and cons and possible risks and impacts.	USD 40,000	
1.3 Identify activities within the country that result in reduced emissions and increased removals, and stabilization of forest carbon stocks	Discussion of options (policies, investments, demonstration activities) for mitigation actions, assessment of trade-offs, and identification of road blocks.		USD 89,500
1.4 Rapid situational analysis concerning REDD policy in the country	Progress report on REDD+ activities in Indonesia (compilation of studies, initiatives and actions under way that would lead to readiness)		USD 49,400
Focus Area 2: Support to readiness process (USD 1,754,000)			
2.1 Institutional setting and legal framework for REDD implementation:	Gaps in regulatory framework for REDD+ assessed and options for improvement identified.		USD 82,200
<i>- Stakeholder process to review existing regulatory framework (e.g. Permenhut P. 68/2008, P.30/2009, P. 36/2009) to discuss options and suggestions to be considered key stakeholder, specifically by Ministry of Forestry, Ministry of Finance and REDD+ agency</i>			<i>USD 22,261</i>
<i>- Provide support to REDD+ Working Group public consultations and meetings</i>			<i>USD 19,192</i>
<i>- Develop guidance for effective engagement of indigenous people and local communities for subnational Demonstration Activities (likely – tbd - locations: South Kalimantan, South Sumatra (Musi Rawas), Maluku, NAD, West Papua)</i>			<i>USD 40,747</i>
2.2 Capacity building of institutions and stakeholders involved in the implementation of REDD activities: Training of trainers (ToT) on carbon	Capacity of REDD+ related institutions strengthened		USD 264,500

Activities	Target Output	Fund Management	
		World Bank	Ministry of Forestry
accounting and monitoring (ground check and spatial data analysis) at national and sub national levels. Location: East Kalimantan, South Kalimantan, Maluku, NAD, West Papua, East Java, South Sumatra.			
2.3 Prepare a quick assessment of Revenue sharing options in the international context, assess existing proposals in Indonesia and convene a stakeholder process to provide inputs to Ministry of Finance and the REDD+ Task Force to prepare guidelines or resolutions on the REDD+ revenue sharing process. :	Compilation of Options for REDD+ revenue sharing mechanisms, pros and cons, and lessons learned from international experiences relevant for Indonesia	USD 100,000	
2.4 Consultation and Outreach:	REDD+ ownership strengthened; awareness and capacities of all REDD+ actors improved	USD 13,572	USD 1,073,728
- Workshops to develop guidance for effective engagement of indigenous people and local communities for future REDD+ Demonstration Activities at subnational level			USD 58,488
- Workshops on investment priority to reduce deforestation			USD 58,489
- Focus group meeting to facilitate establishment of REDD incentive mechanism		USD 13,572	
- Consultations to identify activities within the country that result in reduced emissions and increased removals, and stabilization of forest carbon stocks			USD 118,616
- Public consultation in Jakarta and 5 provinces on institutional setting and legal framework			USD 58,489
- Outreach on management of data and lessons on readiness activities/DA			USD 68,554
- Policy dialogue on development of a time series analysis of the primary social economic and policy aspects of land use change			USD 13,568
- Workshops to discuss development of PSPs			USD 58,489
- Workshops on DA at local level			USD 89,842
- Public consultation to facilitate establishment of REDD WG at sub national level			USD 44,921
- Public consultation to facilitate development of institutional setting at sub national level			USD 44,921
- Stakeholder analysis (desk study)			USD 4,189
- Dissemination of information through website and printed publication			USD 130,578
- Workshops/dialogues on drivers of deforestation from a development perspective, land use and demands, demographic development			USD 118,616
- Peer review by academic institutions of analysis and mapping of land use			USD 30,500
- Workshops on MRV			USD 58,489
- Workshops on SESA/ESMF			USD 116,979
2.5 Management of data, lessons, and funding partner coordination, including periodic review of demonstration activities	Information on Demonstration Activities updated and available in database.		USD 120,000
2.6 Strategic Environmental and Social Assessment (SESA) and ESMF of limited scope	Ways for addressing key social and environmental considerations associated with REDD+ are transparently discussed		USD 100,000

Activities	Target Output	Fund Management	
		World Bank	Ministry of Forestry
Focus Area 3: Assessment and measurement of GHG impacts of land use change (USD 977,900)			
3.1 Analysis and possible mapping of nature and effect of land use on terrestrial carbon cycles.	Information on terrestrial carbon cycles of different land uses.	USD 160,000	
3.2 Development of a time series analysis of the primary social economic and policy aspects of land use change.	Time series information on social economic and policy aspects of LUC.		USD 196,100
3.3 Establishment of permanent sample plots (PSPs) for ground-based forest carbon monitoring (for estimating forest-related GHGs emissions by sources and removals by sinks, and monitoring forest carbon stock changes)	Increased certainty in GHGs estimates from reduced emissions and increased removals, and stabilization of forest carbon stocks.		USD 621,800
Focus Area 4: Regional Data Collection and Capacity Building (USD 531,700)			
4.1 Facilitate the development of REDD+ readiness at subnational level:	The targetted districts have sufficient capacity to prepare for REDD+		USD 531,700
- <i>Capacity building and studies on how to set up REDD+ framework at selected area (locations : South Kalimantan, West Papua, South Sulawesi, Musi Rawas District-South Sumatera, NAD)</i>			<i>USD 275,650</i>
- <i>Developing socio-economic and biophysical studies to support baseline work</i>			<i>USD 189,250</i>
- <i>Discuss Environmental and Social Management Framework (ESMF) and monitoring the implementation with stakeholders in subnational Demonstration Activities</i>			<i>USD 66,800</i>
Operational Costs			USD 67,500
Total:	USD 3,600,000	USD 403,572	3,196,428

B. Key Results

- 1) Understanding and awareness of drivers of deforestation and degradation and of strategies to address them is improved; assessment of priority investment options to reduce deforestation and forest degradation is available; activities within the country that result in reduced emissions and increased removals, and stabilization of forest carbon stocks are assessed; and understanding of the status, gaps and capacity building needs for the implementation of national REDD+ framework is improved.
- 2) Existing REDD+ regulations are assessed; the capacity of REDD+ related institutions is increased; awareness and ownership of the readiness process is increased through consultation and outreach; capacity of stakeholders, including indigenous peoples, to participate in policy development processes is strengthened; and an Environmental and Social Management Framework focussing on potential future REDD+ Demonstration Activities is available;
- 3) Understanding of terrestrial carbon cycles of different land uses is improved; a time-series analysis of the primary social economic and policy aspects of land use change

- is available; and Permanent Sample Plots (PSPs) lead to an increased certainty in GHGs estimates from REDD+ in various forest types in selected areas.
- 4) New data on REDD+ potential in selected provinces is generated; capacity to set up REDD+ frameworks and implement REDD+ programs in selected subnational locations is improved (locations: South Kalimantan, West Papua, South Sulawesi, Musi Rawas District-South Sumatera, NAD).

Project Context

A. Concept

Description

The national REDD+ readiness process consists of a number of activities that address issues related to REDD+ readiness in Indonesia. The overall amount of funding needed to address capacity building for REDD+ in Indonesia was originally estimated at US\$ 18 million in 2009 in the Indonesian R-PP. This did not include the establishment of new agencies and other activities envisioned under the Norway LoI, which is moving toward implementation. The activities identified in the grant agreement are a subset of an overall readiness effort laid out in the Readiness Plan, which was presented to the FCPF in June 2009.

Indonesia' REDD readiness planning is supported by UNREDD (\$5.7 million) and the AUSAID Indonesia Australia Forest Climate Alliance (\$30 million). Both programs have been operational since 2009 and are mostly concentrating their activities on (i) MRV and Reference Emission Level setting, (ii) subnational readiness activities and (iii) outreach and communication. Additionally, Norway's Forest Climate Initiative and Letter of Intent provides \$30 million in Phase 1 of a three-part results based program. As part of the commitment under the Norway Letter of Intent, the REDD Task Force is asked to coordinate the preparation of the REDD+ Strategy. FCPF will therefore only support strategic analytical inputs and a consultative process, but not the entire REDD initiative. Given the multiplicity of actors and the small size of the FCPF grant compared to other efforts, the FCPF grant cannot be held responsible for the entire national REDD strategy, but should be seen as a contributor of specific inputs into a broader multi-donor, multi sectoral dialogue and development process.

The FCPF support is national in scope with some research and capacity building in sub-national areas. Readiness activities will contribute with information, research and capacity building elements to a future national REDD+ framework. These elements will complement other activities undertaken by the Government, NGOs, donors and other organizations.

Field-based data and sub-national readiness will be a critical component of national readiness, and the FCPF will also fund contributions to studies and field-based measurements in the following regions: South Kalimantan Province, West Papua Province, South Sulawesi Province, Musi Rawas District in South Sumatra Province, and Nanggroe Aceh Darussalam (NAD) Province. The Ministry of Forestry selected these regions based on support from the respective sub national governments for REDD+ and the locations of potentially relevant demonstration activities.

The FCPF readiness program is strategically important, even though it is small in terms of funding when compared to the scale of overall REDD+ readiness activities in Indonesia. The

Ministry of Forestry selected the activities specifically because they were considered to be important for readiness but were not being funded by other donors. The SESA and ESMF are of particular strategic value as they apply directly to the policy framework for REDD+ and to future REDD+ projects respectively. These safeguard mechanisms will be highly important once Indonesia enters the investment phase of REDD+ (phase 2). The analysis of priority investment options for REDD+ is designed to support the preparation of an investment strategy for the Forest Investment Program (FIP) and similar schemes.

Key risks and Issues

Key Risks are linked to stakeholders, forest dependent and indigenous people, governance and land rights, environmental and social safeguards, fraud and corruption, and economic impacts.

a) **Stakeholders:** REDD+ is a mechanism still under discussion internationally and has attracted much attention from various groups of stakeholders, including indigenous peoples. Many stakeholder groups, especially Indonesia's CSOs and NGOs see the REDD+ debate as a welcome platform to discuss all types of issues related to land use and land use change, including indigenous rights, land tenure issues and inclusiveness. Although, the REDD+ Readiness process in Indonesia enjoys support from most stakeholders in the country, including national civil society, some groups have indicated that there was not an appropriate level of consultation put in place to guarantee participatory mechanisms for multi-stakeholder engagement. Specifically, the REDD+ readiness process needs to follow strict rules and disclosure policies to be recognized by stakeholder groups. The risk is that the widespread support for REDD+ might erode, should the participatory and consultative approach to the Readiness process not be maintained throughout the process and handled in a professional and careful way, especially when key decisions such as those concerning benefit sharing mechanisms or carbon ownership are made.

The Consultation and Outreach Plan covers a wide range of consultations with all relevant stakeholders at the national and local levels, with a budget of around \$1million. These consultations cover all analytical work carried out through the Grant as well as safeguard activities.

b) **Inclusion of forest dependent and indigenous peoples.** The inclusion of forest dependent and indigenous peoples concerns in policy development is of particular importance for REDD+ in Indonesia. The FCPF grant activities will build on and work with existing networks and institutions to support ongoing processes for strengthening the inclusion of local communities in policy development.

Indigenous peoples and local communities (Masyarakat Adat) have developed networks and institutions to represent themselves and engage in dialogue processes, together with CSO and think tank partners, both domestically and internationally. Indigenous peoples, marginalized communities, and other stakeholders are represented in the institutional structure of the National Forestry Council (DKN), which provide support in the implementation of SESA and consultation efforts.

One key group, though not the sole representative of indigenous peoples, is AMAN the National Indigenous Peoples' Alliance of the Archipelago. Founded in 1999, AMAN is comprised of 1163 indigenous communities. AMAN is active as an observer at FCPF and FIP meetings and is also providing direct inputs to the national REDD+ strategy and agency development process with existing resources.

The FCPF Grant is an opportunity to continue and expand engagement with indigenous peoples, including in the REDD+ institutional set up. The FCPF Grant may help by including indigenous peoples as an important partner in consultations and ensuring that representation is improved as a result of the process. FCPF will specifically support the discussion on guidance for a more effective engagement with indigenous peoples for future REDD+ Demonstration Activities (activity 2.4). Concerns of indigenous peoples will also be considered in the analytical work on drivers of deforestation (activity 1.1.) and on equitable benefit sharing mechanisms (activity 2.3.).

A significant portion of the consultation and outreach activities, including the development of guidance on effective engagement of indigenous peoples in potential future Demonstration Activities, will be carried out by FORDA with the support of DKN. These guidelines will be based on Free Prior Consultation leading to Broad Community Support. The key reason to use this body is that it is legislatively mandated and institutionally structured to actively facilitate the participation of NGOs and communities, including indigenous peoples, in national forest sector policies and decisions. Indigenous peoples and forest dependent people are represented in DKN and through their own institutions and networks. Further background on DKN and its role in the FCPF program is provided in Annex IX.

c) **Governance and land rights:** A national REDD+ system will need to involve different levels of the government and various stakeholders. REDD+ revenues need to reach beneficiaries on the ground, mainly forest-dependent communities. Under a REDD+ scenario, tenure arrangements will have implications for who owns the carbon stored in forests and who owns the right to benefit from credits achieved through REDD+. Indonesia's decentralization process is still ongoing and the institutional arrangements at a province level and below are still not fully prepared to lead the discussion on REDD+. REDD+ can only succeed in a context of good governance – where rules for carbon transactions are transparent, revenue sharing schemes are known to stakeholders and respected and funds are managed properly. Finally, some policy decisions on the national REDD+ legal framework will require strong levels of government commitment. Addressing the complexity of the institutional arrangements, and the different roles and responsibilities of governmental agencies and institutions will require a transparent process that involves multiple stakeholders.

Without strong governance and coordination of REDD+ readiness, there is a risk of Indonesia not achieving REDD+ readiness. A system of strong forest governance will need to be developed as part of REDD+ implementation. This includes clear institutional rights and responsibilities, effective law enforcement, clear land ownership, and low corruption levels. Forest sector regulations are often conflicting or disputed, especially those concerning land use. Lack of clear rights to forests (and carbon) would be an obstacle to achieving a successful REDD+ scheme, and could exacerbate existing disparities and further place limits on community access to forest areas.

Tenure and land use issues are among the important governance issues that have been identified in most studies and consultation processes. There is a large literature, as well as civil society, research and advocacy institutions devoted to tenure, social and livelihood issues in the forestry sector. The works of CIFOR, ICRAF, Nawir, and Contreras – Hermosilla, as well as the work of the MOFR's Working Group on Land Tenure are summarized in the "Strategic Options" Paper, a major forestry ESW paper prepared by the Bank, in collaboration with key forest donors and CIFOR and ICRAF in 2006. The study on drivers of deforestation and the SESA will both necessarily address tenure issues and the TORs will reflect this. In addition, land tenure policy recommendations are expected to arise through the consultative process.

d) **Safeguards:** Although, REDD+ aims to have positive impacts on forests and people that live in them, a preliminary assessment has indicated that a number of World Bank safeguards policies might be triggered by REDD+ related activities in Indonesia. A Strategic Environmental and Social Assessment (SESA) will be conducted as part of the Readiness process to assess the potential impacts from future proposed future investments and policy options. The SESA will be complemented by an Environmental and Social Management Framework (ESMF), which will provide a guide for potential future investments in REDD+ Demonstration Activities, including pilot projects, toward compliance with World Bank safeguards policies. Capacity in implementing the Strategic Environmental and Social Assessment (SESA) is limited in the country (and elsewhere, for that matter). Interested stakeholder groups are ready to engage in this process and have high expectations of this process to change the Government's approach towards social inclusion and environmental management practices.

The safeguards process will be coordinated by the Center for Standardization and Environment of the Ministry of Forestry, which is tasked with developing national safeguards in compliance with policy agreed upon at COP16, as part of Indonesia's national level response to the UNFCCC process. This process is ongoing as a result of the Cancun agreements and the FCPF Grant is in a strong position to assist in this process. The Task Team is consulting with DANIDA Environmental Support Project working with Ministry of Environment on SEA capacity building to seek collaboration on implementation to ensure that sufficient expertise and multi-sectoral attention is brought to these issues.

e) **Economic impacts:** In some cases REDD+ will compete with other economic activities that have public and private beneficiaries. There is a risk that REDD+ could be perceived as being anti-development, undermining national support. REDD+ activities can only be sustained where opportunity costs of foregone activities are compensated and where REDD+ provides sufficient long-term incentives. With increasing food demands and population growth in Indonesia, there are likely to be areas where REDD+ is less feasible. Thus it will be important to transparently measure the costs and benefits of REDD+ and to take account of the political economy of land use in Indonesia when designing REDD+ programs.

B. Implementing Agency Assessment

The Ministry of Forestry (MoFor) is responsible for managing the nation's Forest Estate, which is currently in the order of 134 million ha, or 74% of the land surface. MoFor is responsible for

overall forest management, which includes improving and managing public access to forest areas. MoFor, with support of the Ministry of Environment has been leading initial steps in the REDD+ process such as setting up IFCA. MoFor's departments, in particular the Directorate General of Forest Planning (DGFP- formerly known as BAPLAN), and FORDA, have been key players in the process. MoFor, with financial and technical support of Australia, Germany, and the UK, is currently developing demonstration activities for testing and triggering a global REDD+ carbon market. The Ministry of Forestry is well equipped to deal with REDD technical issues.

The FCPF program will be coordinated and managed by the Center for Climate Change and Policy in the Directorate General for Research and Development of the Ministry of Forestry (FORDA). FORDA's mandate is to support MoFor in implementing policies by providing data and information based on scientific research related to forestry. FORDA/MoFor is staffed with trained professionals and has a good track record of working with the Bank in AAA activities. The Center for Standardization and Environment in the Ministry of Forestry's Secretary General's office will also provide guidance, leadership and implementation of some activities, in particular to activities related to environmental and social safeguards.

FORDA's analytical and outreach capacity will be increased through collaboration with DKN which is a council specifically created to discuss forest policies with the broader public and is organized into five chambers - government, communities, companies, academics, and NGOs including indigenous representatives organizations. The Council's mandate is to help in the formulation of effective policies through increased communication among stakeholders, increased consensus on important forestry issues, and dissemination of information on the performance of the forestry sector. Annex VI provides a more detailed overview of DKN.

C. Project Stakeholder Assessment

Forest dependent and indigenous peoples. It is anticipated that REDD+ will have widespread impacts on the management of Indonesia's forests and forest resources, affecting both forest dependent and indigenous peoples (locally and appropriately termed *Masyarakat Adat*). Key issues include access to forest resources, lack of formal land rights, and equitable distribution of REDD+ benefits. Participation in policy making has been weak in the past, but local community voices are increasingly represented in political fora. Indigenous peoples groups and communities have developed the networks and institutions to represent themselves and to raise awareness and support among a large and vibrant CSO community, including both research and advocacy NGOs (e.g., Telapak, Sawit Watch), umbrella/ representational institutions (e.g., AMAN, among others), and network NGOs, like Walhi and Warsi.

International NGOs and research organizations support this process and provide technical assistance and support (e.g., including Forest People's Program, EIA, RFN, ICRAF and others). The *Masyarakat Adat* have been facilitated in this process through substantial development partner assistance (e.g., USAID BSP/Kemala, DFID Multi-Stakeholder Forestry Project, Ford Foundation, ICRAF, and others).

Forestry and plantation crop industries. By changing incentives for land use, REDD+ could lead to decreased access to timber resources and reduce the availability of forested land for

conversion to other land uses. This could have negative impacts on the forest products industry and could reduce the potential for expansion of plantation crops such as oil palm. Some progressive companies may also view REDD+ as an opportunity for receiving incentives for adopting more sustainable management practices.

Sub-national Governments. A REDD+ framework based on national crediting with sub-national implementation implies a central role for sub-national governments. This includes a role in designing and implementing the REDD+ financial and MRV architecture, design and implementation of sub-national policies to reduce emissions, and sponsoring local REDD+ projects.

National Forestry Council (Dewan Kehutanan Nasional, DKN). DKN was established in September 2006 following a series of multi-stakeholder meetings. The DKN is a constituent-based organization and part of the implementation of Article No. 70 of Law No. 41/ 1999 regarding Forestry that stipulates that community and civil society have to participate in the forestry development process and that this has to be encouraged by the government. The elected Council consists of 13 voting members from five stakeholder groups, and 5 additional non-voting members. The Council's mission is to help in the formulation of effective policies through increased communication among stakeholders and the government, increased agreement on important forestry issues, and increased dissemination of information on the performance of the forestry sector.

Academia and research institutions. The climate change agenda has galvanized significant research efforts related to forests and REDD+, and a number of research institutions are actively contributing to the knowledge foundation for REDD+ in Indonesia, including the Bogor Agricultural Institute (IPB), the Center for International Forestry Research (CIFOR), the World Agroforestry Center (ICRAF), and the World Resources Institute (WRI). Research-based findings on biophysical, social and economic issues related to REDD+ will be a key input to the development of a REDD+ framework.

Civil society organizations. Environmental and social NGOs play a key role in providing funding for REDD+ pilot projects, in providing analysis of relevant policy issues, in raising awareness of the risks and opportunities of REDD+, and in representing the interests of local communities. NGOs actively funding REDD+ pilot projects include FFI and TNC with projects in Central and East Kalimantan respectively. Numerous national NGOs are active in covering forestry issues, including WALHI, WWF Indonesia, Aman, HuMa, Forest Watch Indonesia, and Telapak.

Donor community. Numerous bilateral and multilateral donors are engaged in supporting Indonesia's REDD+ program through technical assistance, policy based lending, and financing of pilot activities. Current REDD+ initiatives include GoI's Climate Change Partnership with Norway (the "Norway LoI"), the Indonesia-Australia Forest Carbon Partnership, UN's UNREDD program, GIZ's FORCLIME project, climate change program lending from JICA, AFD, and the World Bank, and the pending Forest Investment Program (FIP) managed by the World Bank, ADB, and IFC.

Government institutions. The increased complexity and significant anticipated benefits and economic changes anticipated from REDD+ have triggered increased involvement of numerous government institutions besides the Ministry of Forestry. The most important are:

- The President's Delivery Unit for Development Monitoring and Oversight (UKP4), in cooperation with Bappenas and Ministry of Forestry is working on a National Coordination Mechanism for REDD+ in Indonesia. It is expected that the new coordination mechanism will build on the guiding principles of inclusiveness, transparency, credibility and institutionalization of processes. The final institutional arrangement is expected to be announced by the end of December 2010.
- Ministry of Environment (Kementerian Lingkungan Hidup, KLH) has been acting, at least until the establishment of the National Council on Climate Change (DNPI), as the focal point for the UNFCCC. KLH is responsible for overall environmental management and also has a role to play at implementation levels through environmental impact assessments of REDD+ projects.
- The Coordinating Ministry of Economic Affairs: The Ministry develops and oversees economic development and is responsible for mainstreaming climate change into general development policies. The Ministry has been instructed by the president through Presidential Instruction 5/2008, which instructs MoFor and KLH to issue REDD+ regulations in a timely manner.
- National Development Planning Agency (BAPPENAS): BAPPENAS is responsible for overall development coordination, which includes the management of financial/technical assistance from Development Partners. BAPPENAS is coordinating the implementation of bilateral and multilateral aid projects which includes the REDD+ pilots financed by AusAID and BMZ (The German Federal Ministry of Economic Cooperation and Development).
- Ministry of Finance (MoF): MoF is responsible for the design and implementation of the REDD+ financial architecture, including payment distribution mechanisms. MoF is currently evaluating a number of potential mechanisms to manage REDD+ finances, including adaptation of existing mechanisms for intergovernmental transfers.
- The National Council on Climate Change (DNPI): The council consists of a number of cabinet ministers and is led by the President of Indonesia. The council acts as the Indonesian national focal point of global climate negotiations and has a working group on forestry issues. DNPI has been given significant authority to advise and oversee implementation of both climate change adaptation and mitigation policies.
- Ministry of Public works (PU) / General Directorate for Spatial Planning is responsible for spatial planning and oversees the implementation of law 26/2007. The role of this institution is understated but is significant.
- Ministry of Home Affairs (MoHA) is responsible for overseeing decentralization and provides overall guidance to the districts with regards to spatial and economic development planning. Engagement with MoHA on REDD+ is thus of significant importance, but still very limited.
- The Ministry of Agriculture is a key player due to its role in licensing plantation estates, in particular for palm oil production. A significant portion of agricultural expansion occurs on forested land, both within and outside the Forest Estate.

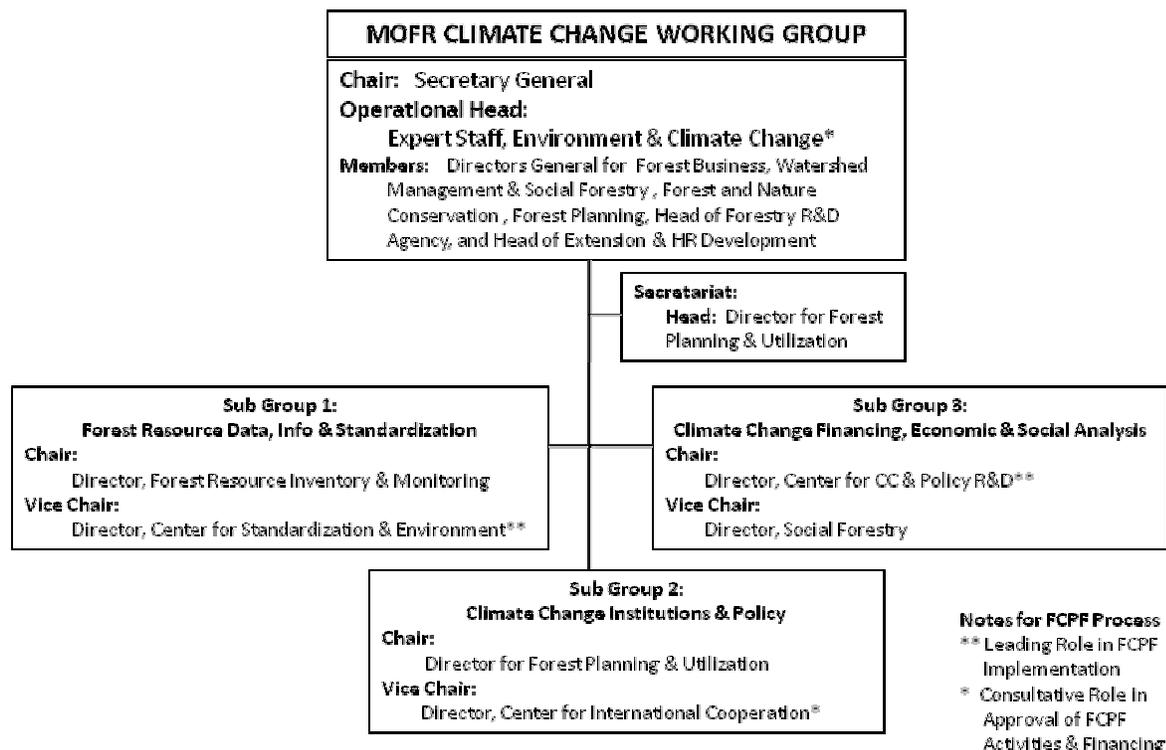
D. Governance and Approval of FCPF Financed Activities

Management of FCPF Activities. The FCPF activities will be coordinated and managed by the Center for Climate Change and Policy (managed by a Director) in the Directorate General for Research and Development of the Ministry of Forestry. This Center will also have financial responsibility for the FCPF activities. The Center for Standardization and Environment (managed by a Director) in the Secretary General's office will also provide guidance, leadership and implementation of some activities, in particular to activities related to environmental and social safeguards. The Center for International Cooperation of the Ministry of Forestry will retain a role in coordination, as with all internationally financed activities in particular in relation to coordination with programs financed by other donors within Ministry of Forestry.

Under the Director for Climate Change and Policy, a Secretariat has been established to coordinate implementation of FCPF. This will be staffed by a coordinator, a financial management specialist, and two administrative assistants. The composition of the Secretariat and the tasks of the staff of the Secretariat will need to communicate to the World Bank within one month after countersignature of the grant agreement by the Government. FCPF activities, performance and results will also be reported to a Steering Committee to be established among the principal agencies involved, including the Ministry of Finance, BAPPENAS, the National Council on Climate Change and a representative from the President's Office/REDD+ Task Force.³ Steering Committee meetings at Director General level are held every 6 months to evaluate activities and progress. The Steering Committee should be created within two months after the countersignature of the grant agreement. Technical coordination meetings at Director level will be held 2-4 times per year. This approach follows standard operating procedures for all internationally-financed projects, as laid out in Ministry of Forestry guidance documents (Minister of Forestry decree No. 31/Kpts-II/1998 dated 12 January 1998 on the Guidelines for Management Implementation of the Administration of Foreign Loan and or Grant Project, Attachment No. 3 "Guideline for Establishment of Project Plan on Foreign Loan/ Grant." Reporting regularly to BAPPENAS and Ministry of Finance is part of the standard procedures.

³ Similar secretariats and steering committees function for ITTO, the UN REDD program and the Indonesia Australia Forest Carbon Partnership – and after some consolidation, it may make sense to hold these SC meetings at the same time with similar participants.

Figure 3: Ministry of Forestry Climate Change coordination framework, with links between CC Working Group, FCPF, and other REDD initiatives



The choice of FCPF implementing agency is realistic and practical. The Ministry of Forestry retains substantial responsibility and authority for implementation of REDD+ activities and particularly for providing baseline data and technical studies (which FCPF will partly finance). Although the President’s office (UKP4) has overall responsibility for coordinating the development of the national REDD+ program, that agency will not manage or implement every REDD+ related activity in every Ministry and Agency. The UKP4 is a small, high level coordination unit, not an operational entity designed to implement Bank funded activities (with financial management and reporting functions, among others). In addition, REDD+ responsibilities and implementation needs will continue beyond the mandate of the UKP4 (limited to President’s term to 2014) and will eventually be lodged in a REDD Management Agency. The FCPF activities are studies and consultation processes designed to feed data and views into the National REDD+ development process that is ongoing. Thus, it makes most sense to get these activities underway and coordinate the results with ongoing processes through the governance and management structures outlined above.

GOI Ownership of FCPF Funded Activities. The activities to be funded under the FCPF are the result of a long process of discussion and coordination, with the Ministry of Forestry, with other key GOI agencies, and with other partners funding REDD related activities, as described below. At a meeting at MOFR on December 27, GOI representatives emphasized that this has been a country-driven process, built on the Indonesia Forest Climate Alliance study that was very helpful for the submission process, and on informational meetings on FCPF initiatives at the regional level and in Jakarta in May 2010. The current set of activities was reviewed after COP 15 to ensure that the activities are well designed and fit into the overall needs of Indonesia in

preparing for REDD Readiness. These activities have also been compared to those being financed under UN REDD and IAFCP and were designed strategically to complement and reinforce those initiatives. These activities were designed with a future-oriented view to ensure that Indonesia's REDD program is founded on the best data, scientific principles, and outreach processes and will complement the National REDD+ Task Force and strategy implementation process.

On August 30, 2010, a meeting was held on FCPF Grant Agreement Preparation, chaired by Head of FORDA – Ministry of Forestry, with FORDA's Director of the Center for Social and Economic Policy Analysis, the Director for Forestry and Water Resources Conservation – BAPPENAS, a representative of the Directorate for Debt Management – Ministry of Finance, and the World Bank. The Ministry of Forestry explained the long process and steps that undertaken including developing the Readiness Plan and outlined next steps and the role of Ministry of Finance and BAPPENAS in the approval process. All planning and background documents were exchanged, reviewed, and discussed.

On November 2, 2010 another meeting was held on the FCPF grant agreement preparation meeting. The meeting was chaired by the Ministry of Finance (DG Debt Management) and well attended by representatives from BAPPENAS, Ministry of Finance (Fiscal Policy Office, DG Budget), Ministry of Forestry (FORDA, Planning Bureau, Bureau for International Cooperation) and the World Bank. Discussion focused on the management of funds, which will go through normal DIPA procedures by the Ministry of Forestry, with approval by BAPPENAS and Finance through the budget process. The World Bank will comply with its own rules and with standard reporting on disbursement of funds to comply with the Ministry of Finance regulation PMK 40 and Presidential Regulation 54. BAPPENAS confirmed that FCPF activities are set under the blue book of national REDD Strategy initiative umbrella. Based on this meeting, the Ministry of Finance requested by letter the World Bank to outline the financing modality for the FCPF.

The Ministry of Finance/Director General of Debt Management – approves all bilateral and multilateral financing activities and ensures a consultative decision process before signing. The MOF Climate Management Unit – coordinates climate engagements with MOF and has a specific role in helping to develop the payment mechanism design under FCPF. BAPPENAS/Director of Forest and Water Conservation – approves conceptual design of bilateral and multilateral activities on forests and REDD. BAPPENAS Director of Multilateral Financing under the Deputy for Development Financing – approves financing process for multilateral grants and loans. All were represented in the consultation and approval process of the FCPF activities for Indonesia.

Cooperation with other initiatives: As mentioned in the section on Development Objectives, the FCPF grant will provide inputs to a larger REDD+ Readiness effort. The FCPF grant will cooperate with other donor financed initiatives, namely those funded by AusAid, UN-REDD, Norwegian Embassy, Swiss SECO, DFID and others. It is possible that some activities supported by the Grant would complement efforts financed by these donors, and that parallel co-financing would be required to fully complete a task in a given area.

World Bank Implementation of Some Activities. The FCPF activities will be executed partly by the GoI/MOFR (\$3,196,428) and partly by the World Bank (\$403,572). The GOI requested this arrangement (letter dated November 4, 2010) based on the rationale that their capacity to implement all the activities under the FCPF program is not fully available because of the large and dynamic set of REDD activities and instruments on REDD that are occupying their attention, including UN REDD and the Indonesia Australia Forest Carbon Partnership. The activities that will be executed by the World Bank are indicated in the list of activities below.

IV. Overall Risk Ratings

The overall risk rating for the project before mitigation is 4: high impact and high likelihood.

The REDD+ Readiness process presents a high level of risk, as it depends directly on a series of institutional changes and a conducive governance environment. A successful REDD+ mechanism involves important changes to the existing institutional framework and touches sensitive issues, such as land tenure rights and revenue distribution across government levels. In addition, the program has high visibility internationally, due to the high stakes of REDD+ for various stakeholders (including vulnerable forest-dependent communities).

These risks will be mitigated through an extensive consultation and participation process and through the SESA. An extensive consultation and participation plan is a key component of the readiness program funded by the grant, and adequate budgeting has been set aside for this purpose (see Annex IV for the Consultation and Outreach Plan). Through the consultation and outreach process, which includes the SESA, relevant government and non-government stakeholders will be involved throughout the readiness process. The National Forestry Council (DKN) will lead the consultation process. In addition, the SESA will identify institutional gaps and challenges and will formulate policy options. Activities will continue to be consulted with government and other stakeholder groups to guarantee relevance.

A number of measures to mitigate risks related to procurement and financial management will be put in place. These include the following actions: (i) The appointment of a financial management consultant or dedicated staff to assist the Project Implementing Unit in handling the financial management aspect of the project. (ii) The inclusion of the project's activities in the regular audits carried out by the Inspectorate General of the Ministry of. (iii) Training by a Bank Financial Management Specialist on financial management. (iv) Procurement supervision will be undertaken by the Bank. (v) CCCP will prepare a Project Management Manual that includes a Procurement Section, within two months after countersignature of the grant agreement.

Although the FCPF financed interventions do not involve REDD+ investments on the ground, a number of World Bank safeguards policies may be triggered by future FCPF and World Bank financed REDD+ related investments. Policy recommendations may also affect indigenous peoples and other forest dependent communities. The SESA will assess these potential impacts, formulate alternatives and mitigation strategies and enhance the decision-making process around the design of the national REDD+ framework. The SESA will be complemented by an Environmental and Social Management Framework (ESMF), which will provide a guide for potential future investments in REDD+ Demonstration Activities, including pilot projects,

toward compliance with World Bank safeguards policies. The ESMF recommended safeguard instruments would apply to investments financed by the World Bank and by other Donors willing to use World Bank safeguard policies.

V. Proposed Team Composition and Resources, including Technical Assistance Provided by Bank Staff to Date

World Bank staff supported the preparation of the 2008 Indonesian Forest Climate Alliance (IFCA) report, which was the first comprehensive study focused on deforestation and REDD+ opportunities. The IFCA report's findings are still largely relevant, are guiding the work of national stakeholders, and have in large part been integrated into the National REDD+ Strategy.

During the preparation and presentation of the Readiness Plan (today Readiness Preparation Proposal), World Bank staff provided guidance on how to prepare the template and how to conduct consultations on different documents. It also provided guidance on Safeguard aspects and technically relevant issues related to REDD+. As Indonesia was one of the first countries to prepare a Readiness Preparation Proposal in 2009, the Facility Management Team of the FCPF provided constant help and advice during the preparation of the document regarding the template and methodology. However, it was made clear that ownership and responsibility for the content of the Readiness Plan remained solely with the Government and other national stakeholders. Bank technical support missions took place in September 2009, March 2010 and May 2010 with the objective of providing guidance for the preparation of the RPP supporting documentation, consultation with stakeholders, for the formulation of the Strategic Environmental and Social Assessment (SESA). Representatives of FORDA were also invited by the FCPF to participate in a workshop on SESA in February 2010.

During the stakeholder process and the review process conducted by the Technical Advisory Panel and the Participants Committee of the FCPF, the following issues were identified as in need to be addressed during the readiness process (Summary Report, Participants Committee, FCPF, June 16-18, 2009):

No.	Issues Raised by FCPF Participants	Response from GoI (FCPF PC, March 2010)
1	Develop a plan and schedule for further stakeholder consultations and participation of local communities on the development and implementation of the R-PP.	<ul style="list-style-type: none"> - Relevant channels for stakeholder consultations will be used and enhanced (e.g. national Forestry Council, land Tenure Working Group, Community Forestry Working Group, VPA – FLEGT, CERINDO and others - Consultation and outreach plan is disclosed - Participation of CSOs: Coordination and synergy with CSOs activities and national REDD working group

2	Clarify and/or further develop relevant policies, laws, regulations, or guidelines concerning land tenure and resource access, and the distribution of costs and benefits, for REDD+ demonstration projects, ensuring that the rights and interests of relevant stakeholders, including forest-dependent indigenous peoples and other forest dwellers, are taken into account	- Land tenure issues are discussed as a priority under the new MoFor policies (improving forest spatial planning Institutional reform and regulatory review to avoid inconsistency among regulations) and discussed in the land tenure working group - Rights: Guided by the 5 yr program of the SBY –second term of presidency: for domestic affairs
3	Develop a plan and schedule for consulting with relevant sectoral and planning agencies	Activities are ongoing. REDD+ is now placed at presidential level
4	Clarify the respective roles and responsibilities of the different national government agencies and different levels of government with respect to the implementation and monitoring components of the R-PP	Currently being discussed at presidential level together with all stakeholder groups and national institutions
5	Establish policies to ensure coherence between sub-national reference emissions levels (REL) and monitoring requirements and national REL and the national carbon accounting system	Indonesia REDD+ is “National approach with sub-national implementation – this policy is embedded in REDD+ policy (P30/2009)
6	Clarify and review existing policies that govern the conversion of natural forests, including peat forests, to oil palm or other agricultural crops, and plantations for pulp and paper, and develop policies and strategies for addressing drivers of deforestation that assess the trade-offs between different policies	Proposed analytical work funded by FCPF on underlying causes of DD Policy interventions to address drivers of DD including through investments that encourage private sector to improve their forest land use practices (one of the key elements of REDD+ Indonesia Readiness Strategy.
7	Identify investment needs and possible financing sources for the implementation of the REDD+ strategy, a broad spectrum of domestic and international opportunities for funding and partnerships, and promote effective donor coordination in the REDD+ readiness process, particularly with UN-REDD	Included in the “REDDI Readiness Strategy” which is currently being reviewed
8	Develop and elaborate on strategies and safeguards to ensure that REDD+ projects and programs do not adversely affect biodiversity and other forest ecosystem services, the livelihoods of forest-dependent indigenous peoples and other forest dwellers	Will be addressed in the context of the FCPF readiness grant.

Team Composition

Name	Title	Unit
Giuseppe Topa	Lead Forestry Specialist (TTL)	
Werner Kornexl	Senior Carbon Finance Specialist (co-TTL)	ENVCF

Juan Martinez	Senior Social Scientist	
Unggul Suprayitno	Financial Management Specialist	
Dhonke Ridhong Kafi	Procurement Specialist	
Virza S. Sasmitawidjaja	Environmental Specialist	
Sameena Dost	Senior Counsel	
Emile Jurgens	Forestry Specialist	
Andrew Sembel	Environmental Specialist	

VI. Assessment Summary

Indonesia has been a pioneer on REDD+. Its R-PP (formerly called R-Plan) has significantly contributed to the coordination of various initiatives financed by donors and by the Government. The R-PP is a fully country-owned document and its development has provided an opportunity for all stakeholders to participate in the dialogue on REDD+ and has broadened the understanding of the challenges that the country faces when working on REDD+ readiness. The R-PP has already been independently technically assessed by the Technical Advisory Panel (TAP) and by the Participants Committee of the FCPF. The document was appropriately disclosed and went through a thorough national and international consultation process, and comments were integrated in the final document. A recommendation provided by the international community and national stakeholders for improvement of the process was taken into consideration and responses were publicly disclosed.

The R-PP identifies the key components and technical activities that are essential for Indonesia to prepare for a future REDD+ regime. This includes (i) the generation of historical reference scenarios (baselines) of forest cover change (i.e. historical rates of deforestation), (ii) country-wide mapping of forest biomass (carbon) at a level that is useful for forest management practices (e.g. at the district level), (iii) the quantitative analysis of the drivers of past and future forest cover change, and (iv) consultation and capacity building at different levels of Government and types of stakeholders. These activities require highly technical work and analysis that combines cutting-edge inventory and remote sensing technology, state-of-the-art field sampling techniques involving geo-information, and information service development using database and Internet technology. It further requires capacity building for managing and reporting information on forest cover changes (and associated GHG emissions) using internationally established protocols and data modeling approaches and a broad understanding of strategies on how to reduce deforestation and forest degradation, including management systems on how to manage sub-national initiatives at province and district levels, and on how to report on performance based systems, and on how to manage financial flows.

Some activities included in the R-PP are covered by other donors, mainly by the Government of Norway. However, the activities financed by the FCPF are critical as they involve systemic work on management frameworks, outreach and communication. The grant implementation will devote considerable effort to define some of the technical parameters in more detail, for example the technical specifications under which the work has to be performed to meet internationally acceptable standards.

Several activities will require coordination among various national entities, such as the Ministry of Finance (benefit sharing systems), Bappenas and DKN (consultation and outreach), and UKP4

(overall REDD+ coordination), which may be challenging. Whenever, regional studies will be prepared, provincial or district Governments need to be involved. The success of the grant will ultimately depend on how well the activities are coordinated with relevant stakeholders.

A. Technical

As previously indicated, the R-PP has been technically independently assessed by the Technical Advisory Panel (TAP) and by the Participants Committee of the FCPF, and appropriately disclosed. The activities to be financed by the FCPF have been selected after technical discussions with the Ministry of Forestry, Bappenas, the Ministry of Finance, and the Ministry of Environment. The activities have been discussed with other donors, including AusAid, UN-REDD and KfW/GIZ, to avoid financing overlap

B. Financial Management

The recipient executed part of the project amounting to \$ 3,196,428 will be implemented over 36 months funded by The Forest Carbon Partnership Facility (FPCF). The purpose of this project financial management assessment is to determine whether the financial management system of the implementing agencies Ministry of Forestry have the capacity to produce timely, relevant and reliable financial information on project activities, and if the accounting systems for project expenditures and underlying internal controls are adequate to meet fiduciary objectives and allow the Bank to monitor compliance with agreed implementation procedures and appraise progress towards its objectives.

The financial management risk is related to implementing agency's lack of experience on managing Bank funded project. The implementing agency also has lack of experience on managing foreign grant using on budget on treasury system. To mitigate the associated risk we recommend the following: (i) Appoint FM consultant or dedicated staff who has capacity and adequate experiences to assist the Secretariat on handling the financial management aspect of the project within six months after countersignature of the grant agreement. (ii) Inspectorate General (IG) of Ministry of Forestry to include the project's activities in its regular audits. In addition to the above mitigation, training will be provided by Bank's FMS to the Secretariat on financial management upon effectiveness of the grant

Overall, the financial management risk is assessed as being **substantial before mitigation and moderate after mitigation**. This assessment has concluded that with the implementation of the action plan, the risks will be substantially mitigated, and the proposed financial management arrangements will satisfy the Bank's minimum requirements under OP/BP10.02, and be adequate to provide, with reasonable assurance, accurate and timely information on the status of the grant as required by the Bank. More details of the financial management assessment are given below.

Strengths and Weaknesses The project has the following principal strength:

- The financial management aspect of the project will be managed centrally by the Center for Climate Change and Policy (CCCCP) under Forestry Research & Development Agency

(FORDA) in Ministry of Forestry. This will simplify the day to day financial management of the project.

The project has the following principal weaknesses:

- FORDA has no specific experience in managing Bank funded project.
- FORDA has no experience in managing foreign grants using on budget on treasury-system. Current grants from ITTO and ACIAR are managed using on-budget off-treasury system.

Risk Assessment SummaryA detailed analysis of the financial management risks arising from the country situation, the proposed project entities, and specific project features and related internal controls was completed during the assessment, and is summarized below. These risks have been rated on a scale of *high, substantial, moderate and low*. The overall financial management risk is assessed as substantial before mitigation and moderate after mitigation.

Institutional Arrangements

Center for Climate Change and Policy (CCCP) under Forestry Research & Development Agency (FORDA) in Ministry of Forestry, will be the executing agency responsible for overall planning, implementation and evaluation consistent with the grant agreement between the World Bank and the GOI. The Secretariat will be established in CCCP and the composition of the Secretariat and the tasks of the staff of the Secretariat will need to be communicated to the World Bank within one month after countersignature of the grant agreement by the Government. The Executing Agency will also provide the necessary coordination with the Ministry of Finance (MOF), and be responsible for overall project implementation and budget execution, including making annual budget applications to the MOF (DIPA).

Internal Audit

Due to implementing agency's lack of experience on managing Bank funded project, It was agreed during the assessment that SRCFP will request the Inspectorate General (IG) of Ministry of Forestry to include the project's activities in its regular audits. This was done by FORDA by letter of May 5, 2011 to the IG. Further, adequate arrangements for such audits are required to be made with the IG within a month of government countersignature of the legal grant agreement

External Audit

The TF will be subject to external audit by the BPKP. Each audit will cover a period of one fiscal year of the recipient. The audits will be conducted based on TOR approved by the Bank. Audit reports and audited financial statements will be furnished to the Bank by not later than six months after the end of the fiscal year concerned and shall be made available to the public

Disbursement Arrangements

The applicable disbursement methods are Advance and Reimbursement. A Designated (Special) Account (DA) denominated in US dollars will be opened in Bank Indonesia (central bank) under the name of Ministry of Finance. The DA will be a segregated account with a fixed ceiling of

USD 300,000 which will be used for financing eligible expenditures from this Grant. Payments from the DA will follow the government mechanism and authorized by MOF's treasury office. Applications for the replenishment of the DA advance may be submitted monthly, together with a report on the use of the DA funds, supported by: (i) list of payments for contracts under Bank's prior review and records evidencing such expenditures, or (ii) statement of expenditures (SOEs) for all other expenses; and (ii) DA reconciliation statement.

SRCFP will be responsible for reconciling the DA and preparing applications for withdrawal of advances and preparing reports on the use of the DA, duly approved by DG Treasury before submission to the Bank.

Allocation of grant proceeds will be as follows:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed
(1) Consultants' Services	334,158	100%
(2) Workshops and Training	2,252,732	100%
(3) Goods	191,105	100%
(4) Operating Costs	418,434	100%
TOTAL AMOUNT	3,196,429	100%

Supervision Plan

Risk-based supervision of project financial management will be conducted. This will involve desk supervision, including review of IFRs and audit reports or one supervision mission in one year. Financial management supervision will be conducted by Bank consultants under Financial Management Specialist direction.

Action plan to mitigate risk

Action Plan	Expected Output	Due Date
Appointment of FM consultant or dedicated staff who has capacity and adequate experiences to assist the Secretariat on handling the financial management aspect of the project.	TOR for FM consultant agreed by the Bank or decree of dedicated staff appointment to handle the financial management aspect of the project.	By grant signature
Arrangement with IG to include the project's activities in IG's regular audits	Letter from CCCP to IG requesting IG to include the project's activities in IG's regular audits	By grant signature

C. Procurement

Bank procurement experts conducted a procurement capacity assessment of the Unit in charge of procurement under the project, namely the Center for Climate Change and Policy (CCCP, formally Center for Socioeconomic Research and Forestry) which subsequently changed its name to Center for Climate Change Research and Policy) under the Forestry Research and Development Agency (FORDA) of the Ministry of Forestry.

Procurement under this FCPF Grant consists of procurement of goods as well as selection of individual consultants and firms. It is likely that the selection of consultant firms will use the CQS method (Selection Based on Consultant's Qualifications) and that the first three contracts will be subject to prior review. The Implementing Agency has experience with national procurement rules but no experience with Bank projects. Based on this, and taking into account the risks and risk mitigating measures which can be taken, the project's risk related to procurement is assessed as "Average".

CCCP follows procurement procedures set up in Presidential Decision Number 54 of 2010 (Perpres 54/2010), which principles are comparable to Bank guidelines. The Perpres 54/2010 has maintained previous provision in which only staff with accreditation in Government procurement can become members of the procurement committee. It also calls for creating procurement service units (ULPS) in all implementing agencies by 2014 and use of e-procurement by 2011. The Government has had an accreditation program for Government Procurement in place since FY2006. The CCCP procurement committee has done procurement of goods up to IDR 200 million (approximately US\$ 22,000), and selection of consultants up to IDR 95 million (approximately US\$ 10,500).

CCCP has received grants from several international donors including from the Australian Centre for International Agriculture Research for work related to the Clean Development Mechanism in 2008 and from the International Tropical Timber Organization (ITTO) for Tropical Forest Conservation for Reducing Deforestation and Enhancing Stocks in 2007. CCCP applied Kepres 80/2003 to both projects. For the ITTO project, CSRFP only procured vehicles, and this was subject to prior review by ITTO.

Procurement of goods will follow the Guideline for Procurement under IBRD Loans and IDA Credits, dated January 2011. The procurement of goods and services below US\$ 1,000,000 National Competitive Bidding procedures acceptable to the Bank will be used. These will be *Pelelangan Umum* (Public Tendering) and *Pemilihan Langsung / Pelelangan Sederhana* (Simplified Tendering) in accordance with the current thresholds in Perpres 54/2010. Procurement of packages with an estimated cost less than US\$ 5,000 may be done using the Shopping Method. Subject to conditions in the Guidelines and prior approval from the Bank, the procurement of goods may be done on a direct award basis subject to meeting the requirements of the Bank Guidelines on Direct Contracting.

Selection of Consultants will follow the Guidelines on Selection and Employment of Consultants by World Bank Borrowers dated January 2011. The selection of consultant firms will use recent versions of the Bank's Standard Request for Proposals based on the above Guidelines. Selection of consultant firms will use the QCBS method as appropriate. Selection of consultants that cost

less than US\$300,000 may follow the CQS method. Further, subject to conditions in the Guidelines and to prior approval from the Bank, the selection may follow the Single Source Selection (SSS) method. The first three selections, all selections of consultant firms above US\$100,000 or those selected through the SSS method, shall be subject to prior review. Similarly, selection of individual consultants on a sole-source basis will be subject to prior review.

Selection of individual consultants should be through comparison of at least three candidates who meet the qualifications and experience required by the Terms of Reference. Subject to conditions in the Guidelines and prior approval from the Bank, the selection may be done on a sole-source basis.

Procurement Supervision

Procurement supervision will be undertaken by the Bank team and more specifically by the procurement specialists based in Jakarta and paid out of resources set aside for project supervision. The first procurement supervision mission will take place at the time of the project's effectiveness. A post procurement review of all contracts not subject to prior review will be done annually and included in the ex-post review program.

To mitigate confusion between provisions in Perpres 54/2010 and the Bank's Procurement Guidelines, CSRFP should prepare a Project Management Manual (PMM) that includes a Procurement Section. The section should contain simplified and easy to understand sets of instructions based on the Bank's Procurement Guidelines. The section should also clearly state that Bank rules shall apply in the case of conflicts between the Bank's procurement regulations and Perpres 5403 or other local rules and regulations.

To mitigate the risks of corruption CSRFP should include the established measures to address corruption issues in the PMM, such as steps to report and investigate all cases of collusive, fraudulent, corrupt and coercive practices, as well as remedial actions. This should include automatic referrals to BPKP and the KPK (the national Corruption Eradication Commission) to conduct investigative audits if there are strong indications of such a case.

D. Social and Environmental (including Consultation, Participation, Disclosure, and Safeguards)

The FCPF Readiness Preparation grant must comply with World Bank safeguard policies regarding the management of environmental and social impacts.

The FCPF Readiness Preparation grant itself will not finance any implementation of REDD+ activities on the ground (investments, or pilot/demonstration activities), but it will contribute towards Indonesia's capacity to receive REDD+ investment in the future. It is recognized that a poorly designed REDD+ scheme would not attract many international finance partners and could lead to an inequitable and inefficient distribution of benefits, and this is associated with significant environmental and social risks. For example, stakeholders are concerned that unless critical governance issues are adequately addressed in the readiness phase, REDD+ would not achieve its objectives and further marginalization of forest-dependent peoples or replacement of natural habitat with plantations could occur. Safeguards policies triggered by REDD+ are

summarized in the safeguards table in Section F below. The first two components of the FCPF Readiness Preparation grant (Analytical Work- USD 268,900, and Management of the Readiness Process- USD 1,754,000) seek to discuss transparently the environmental and social risks of REDD+ by promoting an informed and transparent policy development process (see schematic). All analytical work financed under the FCPF will integrate an assessment of environmental and social risks which will be clearly stated in the ToRs. The analytical outputs from component one will be disseminated and consulted, which is part of the Consultation and Outreach program (USD 1,087,300) of component two. This program covers a wide range of stakeholder consultations at various locations, and builds on the REDD+ consultation process that the GoI is already implementing. The objective of the consultations will be to achieve the stakeholders' effective participation in relevant analytical work and possible decision making processes of the FCPF Grant. Consultation will allow the integration of stakeholder inputs, including inputs from Indigenous People, into the Grant's analyses and recommendations. The consultations will be conducted in accordance with the Bank's indigenous peoples' policy and applicable national law, to the extent that national law may set higher standards. Consultations will be inclusive, conducted in local languages as appropriate, and will allow for enough time for community reaction. Consultations will be conducted with regional/local organization, with national legitimate IP organizations such as AMAN, as well as with a sample of indigenous communities on key issues. A strategy for consultations with indigenous peoples/forest-dependent communities in the preparation and implementation of Demonstration Activities shall be developed to ensure that legitimate representatives of Indigenous Peoples and other forest dependent communities will participate meaningfully in all discussions regarding matters that may affect them, including, for example, the revenue/benefit sharing mechanisms.

Component two includes a Strategic Environmental and Social Assessment (SESA), which will be based on the analytical inputs financed under the FCPF and which seeks to ensure that environmental and social risks linked to the activities financed by the FCPF grant are identified and integrated into policy discussions.

The above process, including the SESA component, allows: (i) social and environmental considerations regarding the activities financed by the FCPF grant to be integrated into the REDD+ Readiness process, in particular the REDD+ policy framework; (ii) participation in identifying and prioritizing key issues, assessment of policy, institutional and capacity gaps to manage these priorities and recommendations, and disclosure of findings in the REDD+ country's progress report on Readiness preparation; and (iii) the development of key inputs to the Environmental and Social Management Framework to be put in place to manage environmental and social risks and to mitigate potential adverse impacts from future FCPF and WB financed REDD+ investments (see more details in Annex 5).

In anticipation of the environmental and social risks that potential future investments would entail, the grant will develop an Environmental and Social Management Framework (ESMF). The ESMF will build on the SESA and will describe the issues and risks associated with an intervention that consists of a program and/or series of projects, and whose impacts cannot be determined until the program or project details have been identified. The ESMF will set out the principles, rules, guidelines, and procedures to assess potential environmental and social impacts

and risks, and contains measures to reduce, mitigate, and/or offset adverse environmental and social impacts and enhance positive impacts and opportunities of said projects.⁴

The ESMF will be the framework to address safeguard issues in future Bank-financed REDD+ Demonstration Activities. The Government and other Donors may nevertheless apply the ESMF to other REDD+ demonstration activities.

The ESMF will incorporate procedures for: (i) ongoing consultations with relevant stakeholder groups; (ii) appropriate capacity building measures; and (iii) environmental and social impact screening and assessment. The Framework will provide for the preparation of time-bound action plans for mitigating adverse impacts related to potential future programs and/or projects (Environmental Impact Assessment Reports as provided for in the EMF; Resettlement Action Plans as provided for in the Resettlement Policy and Process Frameworks; and Indigenous People Plan as provided for in the Indigenous Peoples Process Framework, etc). Given the nature of likely REDD+ strategy options, the ESMF will give special consideration to livelihoods, rights (including those of indigenous peoples), the special protection of vulnerable groups, biodiversity, cultural heritage, gender, institutional capacity assessment, etc. It will include a mechanism for monitoring implementation of the Framework. The mechanism shall be made accessible so that the public can participate in the monitoring processes.

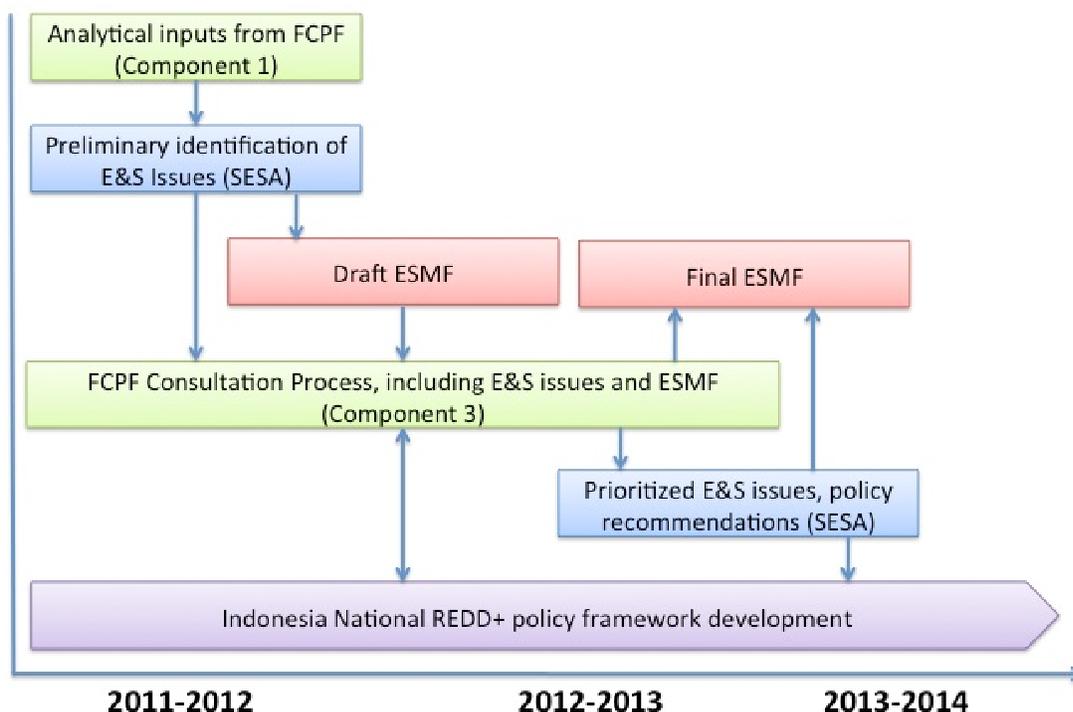
An effort will be made to associate other donors (AusAid, DfID, GIZ, KfW, Norway, etc.) and the ADB in the SESA and ESMF process. While the ESMF would normally apply only to future REDD+ activities financed by the World Bank, its use can be expanded to other Donors willing to use the World Bank's safeguard instruments.

In Indonesia, the draft Terms of Reference for SESA have been prepared and posted on the FCPF and MoFor webpage since June 20, 2010 and preliminarily discussed with stakeholders during the R-PP Preparation Phase. The country is in the process of reviewing the SESA and ESMF TORs, based on the comments received and will organize a final consultation workshop to finalize the TORs. SESA will be implemented with the support of the National Forestry Council (DKN).

⁴ An ESMF acceptable to the World Bank will contain specific sections addressing the requirements of the applicable safeguard policies, including as relevant:

- a) Environmental Management Framework (EMF) to address any potential environmental impacts;
- b) Resettlement Policy Framework (RPF) to address any potential land expropriation and/or physical relocation, as required by the World Bank Involuntary Resettlement policy (OP 4.12);
- c) Process Framework (PF) for restriction of access to natural resources within legally designated parks and protected areas, as required by the World Bank Involuntary Resettlement policy (OP 4.12); and
- d) Indigenous Peoples Planning Framework (IPPF) as required by the World Bank Indigenous Peoples policy (OP 4.10).

Figure 4: Strategic Environmental and Social Assessment (SESA) and Environmental and Social Management Framework (ESMF) process



D.1. Social (including Safeguards)

Forests and forestry play a role in reducing poverty by increasing income, improving food security, reducing vulnerability, improving sustainability of the natural resource base, all of which contributes to increased well-being (Warner, 2000). In addition to fuelwood for cooking, “forests contribute to livelihoods by providing materials for construction, baskets, storage structures, agricultural implements, boats and hunting and fishing gear.

Indonesia is one of the most ethnically and culturally diverse countries in the world. There is no conclusive number of ethnic groups or languages spoken and no agreement on the use of the term indigenous peoples. Conservative estimates list about 500 ethnic groups speaking as many languages, while other sources estimate up to 2,000 ethnic groups.

Traditionally the term associated with the concept of indigenous peoples in Indonesia is *Masyarakat Terasing*, referring to remote and vulnerable communities. This was often used in a derogatory way and government programs were designed to empower and uplift these communities from their isolation and “backward practices,” with little respect for their cultural traditions and identity. To remove the negative connotations of the term the Department of Social Affairs changed it to *remote adat (traditional) communities*, including six characteristics to define such groups. While difficult to estimate, the number of people included under this category is around 1.5 million, mainly living in Papua (former Irian Jaya), Kalimantan, Sulawesi, Sumatra and the outer islands such as Sumba, Sumbawa, and Maluku.

The legislation recognizes the status of *adat* communities and includes some provisions for their protection and rights, including over *ulayat* (communal) land (although this is open to multiple interpretations); examples include the Human Rights Act (Act No. 36 of 1999), the Local Government Act (Act No. 22 of 1999), the Law on Coastal and Small Islands Management (Law No. 27 of 2007) as well as agrarian legislation (Regulation No. 5 of 1999: Guidance for Resolution of Problems of *Ulayat* Right of *Adat* Law Communities). The Forestry law (Act No. 41 of 1999), however, does not provide the same level of protection of *adat communities* and *ulayat* land, which is classified as a sub-category of state forest.

Different pieces of legislation, such as the Foreign Investment Law (Law No. 25 of 2007) and the Minerals and Coal Law (Law No. 4 of 2009), do not recognize the rights of indigenous peoples. Many government officials are also still reluctant to recognize the term indigenous peoples and any particular rights afforded them. Indigenous peoples and support organizations in Indonesia often view new activities under the ongoing agrarian reform and climate change mitigation and adaptation efforts as threatening to their rights and well-being, particular in terms of loss of land and access to natural resources.

For this grant both of the above definitions will be used that fulfill the requirements of OP/BP 4.10, these are: (1) *Masyarakat Adat /Adat communities/Customary law communities*. These are based on lineage or locality and are bound by customary law.⁵ Characteristics of these communities include: (i) self identification as a distinct indigenous cultural group, (ii) collective attachment to ancestral territories and to the natural resources in the territories; and (iii) and customary cultural, economic, social, or political institutions; and (2) *Masyarakat Terasing / remote Adat communities*. This is a government-designated category of customary law communities that live in isolated areas. The characteristics attributed to these communities include: (i) collective attachment to ancestral territories and to the natural resources in the territories; (ii) customary cultural, economic, social, or political institutions; (iii) an indigenous language. They are also identified by government as: (i) having a subsistence economy, (ii) using simple tools and technology, (iii) having a high dependence on the environment and local natural resources, and (iv) having restricted access to social, economic, and political services.

Assessments of key social risks of activities financed under the present Grant and recommendations stemming from its analytical work and policy discussions will be undertaken through a Strategic Environmental and Social Assessment (SESA). The SESA combines analytical work and consultations in an iterative fashion to inform the preparation of the REDD+ strategy or parts of it. The SESA helps to ensure compliance with the Bank's safeguard policies by integrating key environmental and social considerations relevant to REDD+, including all those covered by the safeguard policies, at the earliest stage of decision making. The SESA offers a platform for stakeholder to exchange ideas and reach consensus on key decisions.

The SESA includes an Environmental and Social Management Framework (ESMF) as a distinct output, which provides a framework for managing and mitigating the environmental and social risks related to Demonstration Activities. The future investments and carbon finance transactions of Demonstration Activities will still require specific environmental and social assessments, but these will benefit from the strategic context created by the SESA and ESMF.

⁵ State Minister of Agrarian Affairs Decree 5/1999.

MoFor is responsible for managing and monitoring large part of Indonesia's vast Forest Estate. The Ministry is also the responsible agency for evaluating the Environmental Impact Assessment or AMDAL for all forest management plans; AMDAL requirements include a process of screening projects for social and environmental risks and designing mitigation measures.

The FCPF Readiness phase will be implemented by the Forest Research and Development Agency (FORDA) of the Ministry of Forestry. FORDA/MoFor is staffed with trained professionals and has a good track record of working with the Bank in AAA activities. Recently, FORDA has worked closely with the Bank in preparing the SESA requirements for the FCPF, and has increased its familiarity with Bank safeguards in this process. FORDA representatives have participated in most FCPF meetings especially those concerning the preparation of SESA guidelines.

While FORDA has several desirable qualities, its capacity to facilitate the inclusion of social and environmental safeguards into national policies is not sufficiently tested and its capacity to carry out safeguards needs strengthening. For this reason, FORDA will create a working group of professionals within MoFor to develop a capacity building strategy for implementing the safeguards requirements required under the REDD strategy.

During the Readiness phase, FORDA will be supported by the National Forestry Council (DKN) to conduct the SESA and produce the Environmental and Social Management Framework (ESMF). DKN is a council specifically created to discuss forest policies with the broader public and is organized in chambers - government, communities, companies, academics, and NGOs including indigenous representatives' organizations.

D.2. Environmental (including Safeguards)

Assessments of key environmental risks and environmental management capacity will be undertaken through the Strategic Environmental and Social Assessment (SESA) and the instruments to tackle environmental and social impacts will be defined through the ESMF. All activities proposed in the National REDD+ Strategy should take into account the conservation of biodiversity, as well as the numerous environmental services and products, which natural habitats provide to human society. Overall, REDD+ activities are expected to have significant positive impacts on natural habitats, as the country puts in place an effective strategy to reduce loss of natural forests and conserve native species, especially where endangered flagship species are present. This policy strictly limits the circumstances under which any project can impact natural habitats (land and water areas where most of the native plant and animal species are still present). Critical issues related to natural habitats and potential impacts from the activities financed under the FCPF will be assessed during SESA implementation and under the ESMF, which will also involve the consultation mechanism with relevant stakeholders.

REDD+ activities in forest lands aim to reduce deforestation, enhance the environmental services contribution of forested areas, promote reforestation, reduce poverty, and encourage economic development. Overall, the REDD+ activities are expected to have significant positive impacts on forest, in that the main goal of the program is to reduce deforestation, while contributing to the well-being of forest-dependent communities who will be consulted during the course of the project. Critical issues related to Forest and potential impacts from the national REDD+ policy

framework will be assessed through SESA, and potential negative impacts addressed in the ESMF.

D.3. Consultation, Participation and Disclosure

i. Experience to Date

The FCPF will be contributing to an ongoing consultative process on Climate Change and REDD+ issues that has been going on for more than two years (see section on National REDD+ Developments above) and all of this material, issues analysis and stakeholder awareness serves as an input to the FCPF Grant and SESA processes.

These efforts were of various degrees of quality from a communication /consultation perspective. They offered, however, good learning opportunities for the Ministry of Forestry and the stakeholders who participated in the process. Comments and information obtained from those efforts informed the preparation of the Readiness Plan (R-PP). The list of communication and consultations organized in the course of the preparation of the R-PP can be found on pages 13 – 24 of the R-PP. Additional consultation and information sharing events were organized by the Ministry of Forestry in 2010, related to REDD+ Strategy and Demonstration Projects, the TORs for the SESA, and the REDD+ Strategy in the context of the “Norway LoI” and the Forest Investment Program.

Consultations organized by the Ministry of Forestry were generally participatory and included relevant national and regional groups and stakeholders. However insufficient notice was at times given to allow participants to review the documentation prior to the meetings and workshops, which generated criticism among various stakeholders.

ii. Proposal Going Forward

The Consultation and Outreach Plan (see Annex IV) has a budget of approximately \$1million and includes awareness raising, consultation and outreach with all relevant stakeholders at the national and local levels. These efforts cover all analytical work carried out through the Grant as well as safeguard activities. Target groups of the plan include central and local governments, private companies, local communities and indigenous peoples, youth and traditional leaders, universities and research institutions. Activities in the plan include: stakeholder analyses; guidance for the effective engagement of indigenous people and local communities; consultation for SESA and ESMF preparation and implementation; and consultations on REDD+ policies and on FCPF REDD+ readiness activities. Emphasis will be placed on the timely dissemination of materials for discussion, to allow stakeholders adequate time for preparation.

A significant portion of the consultation and outreach activities, including the development of guidance on effective engagement of indigenous peoples for potential future FCPF and World Bank financed REDD+ investments , will be carried out in cooperation with DKN. The key reason to use this body is that it is legislatively mandated and institutionally structured to actively facilitate the participation of NGOs and communities, including indigenous peoples, in national forest sector policies and decisions.

D.4. Safeguards Policies Triggered

The following table provides information on Safeguards Policies triggered. As the FCPF REDD+ readiness preparation grant will not fund REDD+ projects or define policies, there are no direct impacts resulting from the grant and the table serves as background to potential future REDD+ investments financed by the World Bank and serves as guidance for the development of the ESMF. This section is in compliance with the FCPF Charter and the Board Paper on Safeguard Guidance for Readiness Activities under the FCPF.

Safeguard Policies Triggered	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
<p>Although, REDD+ aims to reduce emissions from deforestation and forest degradation and therefore intends to have positive impacts on the environment, there might be potential adverse impacts, depending on the way these objectives are achieved. E.g. potential replacement of native forests with plantations might have serious impacts on biodiversity.</p> <p>This grant will, in part, support the country's activities to identify the potential risks associated with REDD+ policies and investment options. In order to do this, the FCPF uses the Strategic Environmental and Social Assessment (SESA) to integrate key environmental and social considerations into REDD+ readiness by combining analytical and participatory approaches; and uses the ESMF to provide a framework that can guide future investments in demonstration activities on the ground.</p> <p>The purpose of the SESA is to provide a participatory platform for stakeholders to build an understanding of current situation/issues regarding REDD activities already taken, and identify future options/opportunities</p> <p>The ESMF will establish the modalities and procedures to address potential negative environmental and social impacts from the implementation of a REDD+ Demonstration Activities as well as associated mitigation measures through employing best practices.</p> <p>The ESMF will incorporate procedures for: (i) ongoing consultations with relevant stakeholder groups; (ii) appropriate capacity building measures; and (iii) environmental and social impact screening and assessment. The ESMF will include the screening criteria, procedures and institutional responsibilities for the safeguards policies that are triggered.</p> <p>The Framework will provide for the preparation of time-bound action plans for mitigating adverse impacts related to the future program and/or projects. Given the nature of likely REDD+ strategy options, the ESMF will give special consideration to livelihoods, rights (including those of indigenous peoples), the special protection of vulnerable groups, biodiversity, cultural heritage, gender, institutional capacity assessment, etc. It should include a mechanism for monitoring implementation of the Framework. The mechanism shall be made accessible so that</p>			

the public can participate in the monitoring processes.			
For potential REDD+ projects implemented after the Readiness phase, Environmental Assessments that consist of Environmental Management Plans (EMP) will be used to identify, avoid, and mitigate the potential negative environmental impacts associated with activities implemented on the ground.			
Natural Habitats (OP/BP 4.04)	X		
<p>This policy, seeks to ensure that all activities financed under this grant should take into account the conservation of biodiversity, as well as the numerous environmental services and products which natural habitats provide to human society.</p> <p>Overall, REDD+ activities are expected to have significant positive impacts on natural habitats, as the country puts in place an effective strategy to reduce loss of natural forests and conserve native species, especially where endangered flagship species are present and aims to reduce the deforestation rates in general. This policy strictly limits the circumstances under which any project can impact natural habitats (land and water areas where most of the native plant and animal species are still present). Critical issues related to natural habitats and potential impacts from potential future REDD+ implementation through demonstration activities on the ground will be assessed during SESA implementation and under the ESMF.</p> <p>For potential REDD+ projects implemented after the Readiness phase, site specific EMP would be prepared for the designated sites.</p>			
Forests (OP/BP 4.36)	X		
<p>REDD+ activities in forest lands aim to reduce deforestation, enhance the environmental services contribution of forested areas, promote reforestation, reduce poverty, and encourage economic development. Overall, the REDD+ activities are expected to have significant positive impacts on forest, in that the main goal of the program is to reduce deforestation, while contributing to the well-being of forest-dependent communities who will be consulted during the course of the project. Any critical issues pertaining to forest and potential impacts from potential future REDD+ implementation through demonstration activities on the ground will be assessed through SESA and potential negative impact addressed in the ESMF. For potential REDD+ projects implemented after the Readiness phase, site specific EMP would be prepared for the designated sites.</p>			
Pest Management (OP 4.09)			X
<p>This policy could be triggered depending on the scope of REDD+ strategies, which might include reforestation activities or the intensification of agricultural activities on degraded lands. The REDD+ implementation policy will not promote the purchase and use of pesticide, however, in case the pesticide is used, safe handling and disposal standard operating procedures will be developed.</p>			
Physical Cultural Resources (OP/BP 4.11)			X
<p>This policy may be triggered, if for example, some of the REDD+ activities were to be planned in and interfere with sacred groves. This should be determined on a case by case basis. No adverse impact is expected. Nevertheless, a Physical Resources Management Framework will be embedded in the Environmental Management Plan of the ESMF.</p>			

Indigenous Peoples (OP/BP 4.10)	X		
<p>Indonesian forests house many different indigenous peoples and vulnerable ethnic minorities, any activities within and surrounding forest areas may impact them, both positively and negatively. Many of the activities to be implemented as part of a national REDD+ program are likely to take place in areas inhabited by indigenous peoples. Future REDD+ investments and policies may adversely impact the lands and natural resource use of these communities, if they result in restrictions of access to the resources they depend on for their livelihoods as well as cultural survival for many indigenous peoples. Activities that support indigenous communities in better managing their land and resources may provide positive outcomes. The inclusion of forest dependent and indigenous peoples' concerns in policy development is of particular importance for REDD+ in Indonesia. The FCPF grant activities will build on and work with existing networks and institutions to support ongoing processes for strengthening the inclusion of local communities in policy development. Indigenous peoples and other forest dependent communities (Masyarakat Adat) have developed networks and institutions to represent themselves and engage in dialogue processes, together with CSO and think tank partners, both domestically and internationally.</p> <p>OP/BP 4.10 underscores the need for MoFor/Forda to identify indigenous peoples that inhabit the forests, consult with them in the implementation of the grant activities (TA, analytical work), and ensure that they participate in an appropriate way. Rather than developing a separate IPP or IPPF for the Grant, OP 4.10 elements have been integrated into the various Grant activities, for example through: assessing safeguard issues for all relevant analytical work and policy discussions, involving indigenous peoples in the consultations and decision-making processes (SESA), and as an explicit element of the grant and the ESMF.</p> <p>The FCPF Grant is an opportunity to continue and expand engagement with indigenous peoples, including in the REDD+ institutional set up. The Grant includes indigenous peoples as an important partner in consultations on the analytical work financed under the FCPF grant..</p> <p>FCPF will specifically support the discussion on guidance for a more effective engagement with indigenous peoples in future REDD+ Demonstration Activities (activity 2.4). Concerns of indigenous peoples will also be considered in the analytical work on drivers of deforestation and on equitable benefit sharing mechanisms. This activity will be supported by DKN. The key reason to use this body is that it is legislatively mandated and institutionally structured to actively facilitate the participation of NGOs and communities, including indigenous peoples,. Indigenous peoples and forest dependent people are represented in DKN and through their own institutions and networks. One key group, though not the sole representative of indigenous peoples, is AMAN the National Indigenous Peoples' Alliance of the Archipelago. Founded in 1999, AMAN is comprised of 1163 indigenous communities that work collectively to create space to recover and fulfill their rights and fundamental freedom to sovereignty, welfare and dignity. AMAN is active as an observer at FCPF and FIP meetings and is also providing direct inputs to the national REDD+ strategy and agency development process with existing resources.</p> <p>The SESA, also implemented largely in cooperation with the DKN will also provide the platform for effective participation of IPs, as part of the chambers of the institution.</p> <p>The ESMF will include an Indigenous Peoples Planning Framework (IPPF) to avoid or address</p>			

potential undesirable effects of future REDD+ activities and establish the procedures in managing relations between such future REDD+ investments and indigenous peoples.

This approach is consistent with the Bank's indigenous peoples' policy (OP/BP 4.10) and the FCPF Charter and safeguard guidance.

For the preparation of the IPPF two definitions will be used to fulfill the requirements under OP/BP 4.10, these are: (i) *Masyarakat Adat /Adat communities/Customary law communities*; and (ii) *Masyarakat Terasing / remote Adat communities*.

Involuntary Resettlement (OP/BP 4.12)	X		
While no resettlement is expected as part of REDD+ activities, it is conceivable that there might be limitation of access to forests and forest products, and involuntary access restrictions for local populations to parks, reserves, forest management areas or protected areas.			
The REDD+ policy framework should avoid promoting involuntary resettlement to the extent feasible. All issues related to involuntary resettlement in potential future REDD+ Demonstration Activities will be identified in the SESA, and the Process Framework for Access Restriction will be established as part of the ESMF.			
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	
Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects (OP/BP 4.00)		X	

The main safeguard instruments to address safeguard issues for future Demonstration Activities are a SESA, and an ESMF. The SESA allows: (i) social and environmental considerations to be integrated into the REDD+ Readiness process, in particular the REDD+ strategy; and (ii) participation in identifying and prioritizing key issues, assessment of policy, institutional and capacity gaps to manage these priorities and recommendations, and disclosure of findings in the REDD country's progress report on Readiness preparation. The SESA will focus on the FCPF grant activities, particularly its recommendations and proposed options for future REDD+ investments.

In the context of future REDD+ investment financed by the FCPF or World Bank, the ESMF will describe the potential issues and risks associated with an intervention and whose impacts cannot be determined until the program or project details have been identified. The ESMF will set out the principles, rules, guidelines, and procedures to assess potential environmental and social impacts and risks, and will contain measures to reduce, mitigate, and/or offset adverse

environmental and social impacts and enhance positive impacts and opportunities of said future Demonstration Activities.⁶

The ESMF will be consistent with the World Bank's safeguard policy on Environmental Assessment (OP 4.01) and contain specific sections addressing the requirements of other applicable safeguards policies including, as relevant, an Environmental Management Framework (EMF); Resettlement Policy Framework (RPF); Process Framework (PF); and Indigenous Peoples Planning Framework (IPPF).

⁶ An ESMF acceptable to the World Bank will contain specific sections addressing the requirements of the applicable safeguard policies, including as relevant:

- a) Environmental Management Framework (EMF) to address any potential environmental impacts;
- b) Resettlement Policy Framework (RPF) to address any potential land expropriation and/or physical relocation, as required by the World Bank Involuntary Resettlement policy (OP 4.12);
- c) Process Framework (PF) for restriction of access to natural resources within legally designated parks and protected areas, as required by the World Bank Involuntary Resettlement policy (OP 4.12); and
- d) Indigenous Peoples Planning Framework (IPPF) as required by the World Bank Indigenous Peoples policy (OP 4.10).

Annex I: Preparation Schedule and Resource Estimate

Annex II: SESA TOR

Annex III: Consultation and Outreach Program

Annex IV: Summaries of issues identified in recent consultation processes

Annex V: The National Forestry Council and FCPF Activities

Annex VI. : REDD+ Related Donor Funded Projects in Indonesia

Annex I: Preparation Schedule and Resource Estimate

Preparation Schedule				
Milestone	Dates			
	Basic	Forecast	Actual	
AIS Release	09/25/2009	<i>From system</i>	<i>11/02/2009</i>	
Concept Review	10/29/2009	<i>03/15/2011</i>	<i>From system</i>	
Readiness Preparation GFR approved	From system	<i>From system</i>	<i>From system</i>	
Readiness Preparation Grant signed	From system	<i>From system</i>	<i>From system</i>	
Sector Unit Estimate of Resources Required from Preparation through Approval				
Source of Funds	Identification and Preparation Expenses to Date (US\$)	Estimate of Resource Requirements (US\$)		
		Fixed	Variable	
Bank Budget	From system			
Trust Funds	From system			
Team Composition				
Name	Title	**Role	Unit	UPI
<i>Giuseppe Topa</i>	<i>Lead Forestry Specialist</i>	<i>Task Team Leader</i>	<i>EASER</i>	<i>86957</i>
<i>Werner Kornxl</i>	<i>Senior Carbon Finance Specialist</i>	<i>co-Task Team Leader</i>	<i>ENVCF</i>	<i>190769</i>
<i>Juan Martinez</i>	<i>Senior Social Scientist</i>	<i>Task Team Member</i>	<i>EASER</i>	<i>88646</i>
<i>Unggul Suprayitno</i>	<i>Financial Management Specialist</i>	<i>Task Team Member</i>	<i>CTRDM</i>	<i>207734</i>
<i>Budi Permana</i>	<i>Procurement Specialist</i>	<i>Task Team Member</i>	<i>EAPPR</i>	<i>337521</i>
<i>Virza S. Sasmitawidjaja</i>	<i>Environment Specialist</i>	<i>Task Team member</i>	<i>EASIS</i>	<i>347489</i>
<i>Sameena Dost</i>	<i>Senior Counsel</i>	<i>Task Team Member</i>	<i>LEGES</i>	<i>246615</i>

<i>Emile Jurgens</i>	<i>Forestry Specialist</i>	<i>Consultant</i>	<i>EASIS</i>	<i>303857</i>
<i>R. Cynthia Dharmajaya</i>	<i>Program Assistant</i>	<i>ACS</i>	<i>EASER</i>	<i>11763</i>

Annex III: SESA Terms of Reference

Updated Draft – subject to final consultation

FOREST CARBON PARTNERSHIP FACILITY (FCPF) INDONESIA: STRATEGIC ENVIRONMENTAL AND SOCIAL ASSESSMENT (SESA)⁷

February 25, 2011

These TORs are organized in two parts: the first focuses on the Strategic Environmental and Social Assessment (SESA), which will provide the platform for consultation and analytical work financed under the FCPF; the second part will build on the outcomes of the SESA and prepare an Environmental and Social Management Framework for REDD+ Demonstration Activities which may occur in the future as part of the implementation of the REDD+ Strategy and would be funded by the World Bank or the Government or other Agency willing to use WB safeguards.

The implementation of the ESMF and SESA will be sequential. The studies will be entrusted to the same consultant team to ensure continuity and consistency of approach.

A. Background

Since UNFCCC COP 13 in Bali, Indonesia has prioritized climate change planning and action, with the President announcing a commitment to reduce greenhouse gas (GHG) emissions by 26 percent by 2020. National strategies and action plans recognize that land use change and forestry are the main sources of Indonesia's emissions. The Ministry of Forestry has issued a number of regulations related to REDD and is preparing a National REDD+ Strategy and a National Action Plan to Reduce GHG Emissions ("RAN GRK"). The October 2010 draft of the Indonesian National REDD+ Strategy recognizes the need to address underlying barriers to reducing emissions from deforestation and forest degradation and for reforms in various land use sectors including, forestry, mining, and agriculture. Indonesia is also undertaking several REDD+ demonstration activities in collaboration with other countries and international agencies, and these will provide important lessons for designing a national REDD+ policy framework.

A previous draft of these ToR was shared with stakeholders at a meeting in Jakarta on 18 May 2010, after which it was posted for comment on the Internet. It is planned that, following the signing of the FCPF Grant Agreement, a consultation meeting will be held with multiple stakeholders to solicit further inputs for adjusting these ToR.

In May 2010, Indonesia agreed with Norway on a performance-based initiative for accelerating action on Reduced Emissions from Deforestation and Forest Degradation (REDD+). The REDD+ Initiative establishes a phased program of action, focusing first on establishment of a national strategy, a management agency, an agency for monitoring, reporting and verification, a pilot province, and a financing instrument. To handle management and implementation of this initiative, in October 2010, the President formed a high level REDD+ Task Force (Presidential Decree 19 of 2010) headed by his Monitoring and Delivery Unit (UKP4) and including high officials from Finance, BAPPENAS, Forestry, Environment, National Land Agency and National Council on Climate Change.

The Forest Carbon Partnership Facility (FCPF) is assisting developing countries in their efforts to reduce emissions from deforestation and forest degradation (REDD). The FCPF was announced at CoP13 in Bali in December 2007 and became operational in June 2008. The FCPF is helping build the capacity of

⁷ Preliminary TORs for Environmental and Social Management Framework presented in Annex.

developing countries in tropical and subtropical regions to reduce emissions from deforestation and forest degradation and to tap into any future system of positive incentives for REDD. The aim is to enable countries to tackle deforestation and reduce emissions through REDD+ as well as to develop capacity for assessment of measurable and verifiable emission reductions.

At COP 16 in Cancun, a decision on REDD+ is included in the text, which means that REDD+ will be part of a future climate regime. And for the first time, there is a provision for Safeguards. REDD+ activities will have to support and promote safeguards.

Activities to be funded by FCPF

The activities identified in the FCPF grant agreement are a subset of an overall readiness effort laid out in the Readiness Plan, which was presented to the FCPF in June 2009. Indonesia' REDD readiness planning is supported by UNREDD (\$6 million), AUSAID Indonesia Australia Forest Climate Alliance (\$30 million), both working since 2009. Norway's Forest Climate Initiative and Letter of Intent provides \$30 million in Phase 1 of a 3 part results based program. As part of the commitment under the Norway Letter of Intent, the REDD Task Force is asked to coordinate the preparation of the national REDD+ Strategy. In this context, the FCPF will support selected strategic analytical inputs and a consultative process, but not the entire REDD Strategy. Given the multiplicity of actors and the small size of the FCPF grant compared to other efforts, the FCPF grant cannot be held responsible for the entire national REDD strategy, but should be seen as a contributor of specific inputs into a broader multi-donor, multi sectoral dialogue and development process.

The FCPF grant will develop analytical studies, finance consultations and undertake a strategic environmental and social assessment and an environmental and social management framework. The grant agreement has four main components:

- i. Analytical Works including a synthesis and analysis of available assessments and studies on causes of deforestation and compilation of options for main investment types and other interventions, which would reduce deforestation and greenhouse gas emissions.
- ii. Support of Readiness process. This component will include: assessment of options and discussion of pros and cons of recent and new REDD+ relevant regulations, including benefit sharing systems; capacity building of institutions and stakeholders; a large subcomponent of consultation and outreach to cover all actors including Indigenous People; and the completion of the Strategic Environmental and Social Assessment, resulting into an ESMF.
- iii. Reference Emission Level (REL) and Measurement Reporting and Verification (MRV). This component will contribute to efforts to improve understanding of the effect of land use change on carbon stocks;, will develop time series of land use change; and will develop systems to monitor carbon stocks at the ground level in permanent sample plots.
- iv. Regional Data Collection and Capacity Building: The fourth component of the project will facilitate relevant REDD+ readiness activities at sub-national level.

The detailed list of activities financed by the Grant and subject to the SESA studies is presented in the Annex to the present TOR

PRINCIPLES AND OBJECTIVES OF THE SESA

The REDD+ Readiness process should ensure that implementation of REDD+ programs and activities will not cause adverse social and environmental impacts, while striving to enhance benefits for local

communities and the environment. The countries participating in the FCPF Readiness Mechanism are encouraged to use a Strategic Environmental and Social Assessment (SESA) to assess the potential impacts from national REDD+ programs and policies, formulate alternatives and mitigation strategies, and enhance the decision-making process around the design of the national REDD+ framework. The SESA is deemed to be an adequate tool for this purpose as it offers a platform for consultation to integrate social and environmental concerns into the upstream policy-making process. The SESA will be complemented by an Environmental and Social Management Framework (ESMF), which will guide potential investments in REDD+ Demonstration Activities toward compliance with safeguards policies. The ESMF is described in more detail in an attachment to the present TORs.

The SESA is a tool that seeks to integrate social and environmental considerations into policy-making processes, leading to sustainable REDD+ policies. SESA in the FCPF Readiness Mechanism phase should contribute to inform the design of the national REDD+ policy framework, including the National REDD+ Strategy. The focus of the SESA is primarily on the activities included in the four components financed under the present FCPF Grant. Additional topics which may come up as part of the consultation process may result in additional considerations. These issues, however, will not be fully developed under the Grant, because of the limitations of Grant's resources and because other Donors or actors may be developing these topics in complementary efforts and frameworks. The SESA provides a participatory platform for stakeholders to build an understanding of current situation/issues regarding REDD activities already taken, and identify future options/opportunities.

The SESA should:

- Identify the social and environmental risks as well as opportunities from proposed policies to reduce deforestation and degradation as they emerge from analytical work undertaken under the FCPF grant.
- Involve primary stakeholders in identifying key social and environmental issues related to REDD+. This will include affected groups and local nongovernmental organizations, as early as possible, in the preparation process and ensure that their views and concerns are made known to decision makers and taken into account. The consultation process will receive support from the National Forest Council (DKN)
- Assess the options that promote sustainable natural resource management and have positive impacts on local communities as they emerge from analytical work undertaken under the FCPF grant. Where policies adversely could affect the environment or local communities, identify alternatives to the proposed policies and/or mitigate negative social and environmental impact. In particular, screen for negative impacts on indigenous communities.
- Provide a gap analysis of Indonesia's institutional and governance capacity to address aversive effects as they emerge from analytical work.
- Discuss recommendations to address key environmental and social impacts, and for addressing institutional and governance weaknesses. This should lead to the preparation of an ESMF.

DESIGN: HOW SESA RELATES TO THE REDD+ READINESS PROGRAM AND ESMF

The SESA concept combines analytical work with participatory approaches, which are implemented in parallel fashion:

- The analytical component aims to improve understanding of REDD+ related issues including environmental and social risks.
- Participatory approaches aim to integrate environmental and social considerations into different levels of strategic decision-making

This closely matches the design of Indonesia's FCPF program, which aims to support Indonesia's Readiness process through a participatory approach, and which includes the following activities relevant to a SESA: assessment of gaps in regulatory framework for REDD+ and identification of options for improvement; capacity building of institutions and stakeholders; and a large subcomponent of consultation and outreach to cover all actors including Indigenous Peoples.

Analytical work undertaking under the FCPF Grant

As part of the FCPF program, FORDA and consultants will carry out the following relevant analytical activities:

- Analysis of the drivers of deforestation from a development perspective, incorporating demographic development and demands on land.
- Screen options for priority investments needed to reduce deforestation and forest degradation.
- Identification of activities within the country that result in reduced emissions and increased removals, and stabilization of forest carbon stocks.
- Rapid situational analysis concerning national REDD+ policy (nationally and sub-nationally (see scope of work below).
- Assessment of Regulatory Arrangements for REDD Incentives
- Management of data and review of demonstration activities
- Strategic Environmental and Social Assessment and Environmental and Social Framework
- Analysis and mapping of effect of land use on carbon cycles
- Analysis of time series of policy aspects of land use change
- Establishment of Permanent Sample Plots for monitoring.

The findings from these studies, along with the consultation process outlined below, will be a key input to the development of SESA. One of the key outputs of the SESA will be the ESMF which will guide investments in REDD+ Demonstration Activities; towards compliance with World Bank safeguard policies (see attached ESMF TORs).

Public consultation on FCPF activities

The objective of consultation will be to achieve the stakeholders' effective participation in relevant analytical work and possible decision making processes of the FCPF Grant. Consultation will use different mechanisms and instruments (as described in the Consultation/Participation Plan) and will allow integrating the stakeholder inputs, including inputs from Indigenous People, into the Grant's analyses and recommendations. Consultations will be conducted in accordance with Bank indigenous peoples' policy and applicable national law, to the extent that national law may set higher standards. Consultations will be inclusive, conducted in local languages as appropriate, and will allow for enough time for community reaction. Consultations will be conducted with regional/local organizations, with national legitimate IP organizations such as AMAN,

Guidance for consultations with IP/forest-dependent communities linked to subnational Demonstration Activities shall be developed in cooperation with DKN to ensure that legitimate representatives of Indigenous Peoples and other forest dependent communities will participate meaningfully in all discussions regarding matters that may affect them, including, for example, the revenue/benefit sharing mechanisms.

Target groups of the consultation plan include central and local governments, private companies, local communities and indigenous people, youth and traditional leaders, universities and research institutions.

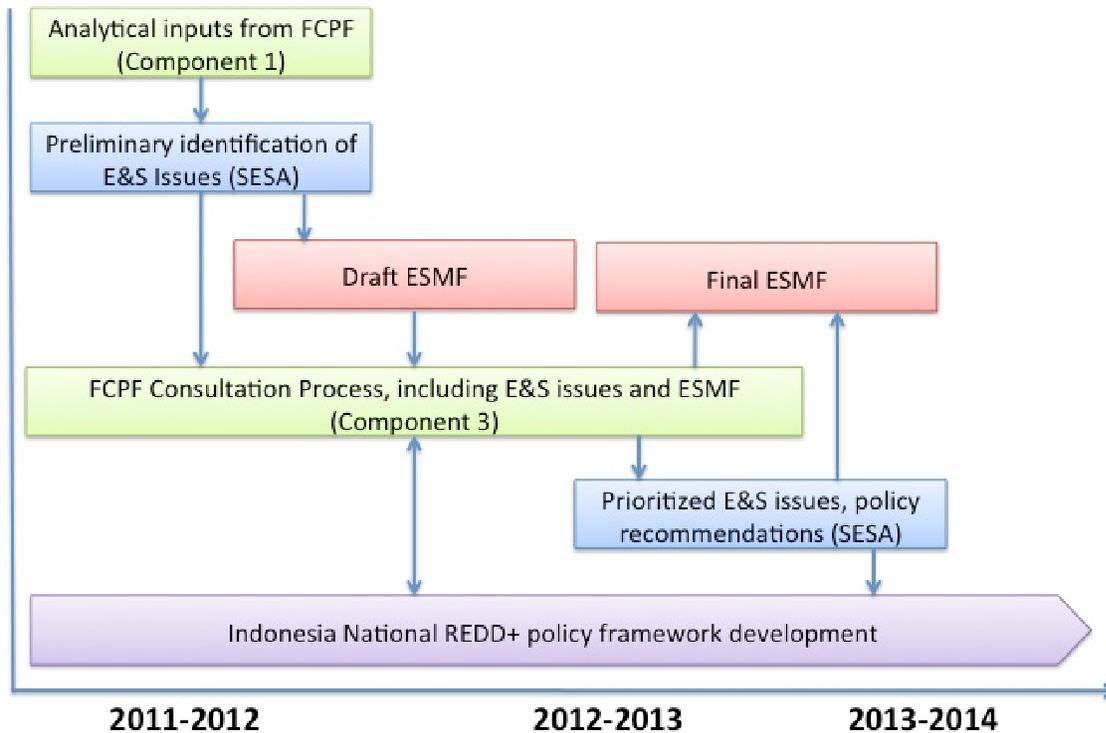
Activities in the plan include the following:

- Stakeholder analyses
- Guidance for effective engagement of indigenous people and local communities in subnational Demonstration Activities;
- Awareness raising on drivers of deforestation;
- Discussion on activities that reduce deforestation;
- Institutional setting and legal framework for REDD;
- Establishment of local REDD+ groups;
- REDD+ incentives;
- Consultation for SESA preparation and implementation;
- Assistance to set up REDD+ framework at demonstration sites.

To complete the SESA, these venues will be used to record and discuss stakeholder concerns regarding the environmental and social risks identified from activities financed under the grant agreement.

Preliminary findings will be presented and results from the consultations will be used to prioritize issues and develop final outputs.

Strategic Environmental and Social Assessment (SESA) and Environmental and Social Management Framework (ESMF)



SCOPE OF WORK

- A. Start-off meeting to agree on the final TORs for the SESA and ESMF, clarify the process, scope and sequences of the work and disclose the conclusions of this meeting. Final consultation on TOR.
- B. Based on the situational analysis of REDD+ policies carried out under the FCPF Grant, supplemented by socio environmental studies available from Demonstration Activity locations, the SESA will analyze a limited number of selected key issues as well as the roles of stakeholders related to the key issues. The rapid situational analysis will include:
 - a. Assessment of key stakeholders and key issues. Stakeholder mapping.
 - b. Assessment of issues and options related to REDD+ Strategy elements related to land tenure and land rights conflict resolution mechanisms, IPs, natural resource management and equitable distribution of benefits including benefits for Indigenous People.
 - c. Assessment of policy and institutional gaps for addressing environmental and social risks
 - d. Compilation of priority issues to be addressed in REDD+ policies.
- C. Review all studies carried out under the FCPF Grant from a social and environmental perspective and make draft reports available to the public. All analytical work will be presented with an assessment of potential adverse environmental and social aspects. Every draft report will be disclosed and a workshop will be organized with the help of DKN to discuss the findings of the analytical work.

- D. Two consultation processes involving workshops are planned after the compilation of information has been gathered.
- a. Present preliminary findings on E&S risks and gaps from the assessment work and analytical work undertaken. The preliminary findings will be presented to the stakeholders to stimulate a discussion. Stakeholder inputs will be recorded and a draft report will be issued.
 - b. Conduct transparent consultation at a national level including participation from representatives from DA locations on a limited number of core environmental and social issues identified involving representatives of key stakeholders and interest groups. The consultation will be used to prioritize key environmental and social issues and discuss mitigation options.
- E. Develop a Final SESA Report that provides the findings and recommendations that have emerged from the SESA process. This report would, at a minimum, do the following:
- a. Identify the key REDD+ social and environmental risks emerging from the FCPF studies and SESA analyses and consultations.
 - b. Based on FCPF studies, analyses and consultations, describe the policy, legal, regulatory, institutional, and capacity gaps to implement REDD+ and to manage the key environmental and social issues relevant to REDD+. Identify options that promote sustainable natural resource management and have positive impacts on local communities. Where policies or activities adversely affect the environment or local communities, identify alternatives to the proposed policies to mitigate negative social and environmental impact. In particular, screen for negative impacts on indigenous communities.
 - c. Present recommendations for REDD+ policy design, implementation, and monitoring and evaluation (including legal and policy reforms) based on the results of the SESA. Formulate policy recommendations for a policy framework to address key environmental and social impacts, and for addressing institutional and governance weaknesses.
 - d. Identify any gaps in knowledge where additional data-gathering and analysis may be needed.
 - e. Prepare an Environmental and Social Management Framework (ESMF) for potential demonstration activities. The ESMF would apply to future REDD+ activities financed by the World Bank and by other Donors willing to use WB safeguards. In line with the COP 16 decision, which includes safeguard provisions, the Government of Indonesia would discuss a suitable safeguard framework to be used for all REDD and Demonstration Activities in Indonesia, independently from who will finance, implement and support them.

Methodology

According to the scope of work, the ToR further outlines a SESA process which should be followed in delivering the required work. The SESA process includes six stages, namely, (1) setting the context of SESA; (2) collecting and analyzing baseline; (3) scoping; (4) developing alternatives; (5) assessing the alternatives; (6) developing management and monitoring plans. The six stages of SESA process may have

to be followed in an iterative manner. However, the SESA Task Team shall maintain all assessment activities systematically and consistently.

1. Setting the context of SESA

This stage is to initiate preparation work for the SESA. Specifically, these preparation works include finalizing the SESA ToR (see Scope of Work A); securing the support from relevant government agencies, setting the objectives of the SESA, identify stakeholders and interested groups. During this stage, the SESA team should also be able to establish a basic understanding of the current situation regarding REDD+ policies/strategies in Indonesia based on literature review, their linkages with other relevant Indonesian policies/regulations, as well as environmental and social development objectives.

2. Collecting and analyzing baseline

Based on the understanding of the context, the SESA Task Team will start collecting and analyzing the baseline information that is necessary to identify the relationship between REDD+ policies and land use; existing environmental and social issues related to REDD+ policies; policy and institutional gaps; and key stakeholders that are associated with these issues/gaps identified (Scope of Work B-a, b, c). This can be achieved by reviewing all previous studies carried out under the FCPF grant or other sources identified by the SESA Task Team (Scope of Work C, E-a).

By the end of this stage, the following should be delivered: an interim report summarizing the preliminary findings by this stage, a consultation on these findings, and a report on the consultation (Scope of Work D –a).

3. Scoping

The scoping process is to establish the content of the SESA, prioritize the key issues to be addressed in the course of assessment, identify relevant criteria for assessment, and conduct stakeholder analysis/mapping. At this stage, extensive consultations shall be held with key stakeholders and interested groups (Scope of Work D-b). A scoping report should be prepared to record these findings and inform the following stages of assessment.

4. Developing alternatives

With the input from scoping and adverse issues/risks identified, works at this stage will identify alternatives for the REDD+ policies/strategies (Scope of Work E-b).

5. Assessing the alternatives

This stage will conduct scenario analysis for the alternatives identified. The purpose of the analysis of these possible options is to inform the formulation of REDD+ policies/strategies by identifying opportunities to enhance the benefit for local communities (especially Indigenous Peoples communities), summarizing the key challenges/gaps in implementing new REDD policies/strategies, and discussing the trade-offs (Scope of Work E-b, d). With these issues discussed, the SESA Task Team will propose recommendations on the institutional capacity needed, formulation and implementation of REDD+ policies/strategies (Scope of Work E- c). Consultations shall be held during this stage.

6. Developing management and monitoring plans

This stage will formulate an ESMF that will be implemented to follow-up on the recommendations and issues/risks found from the preceding stages. A generic ToR for the ESMF is presented as an attachment to Annex III. By the end of this stage, the draft SESA report, which includes the ESMF, will be formulated and consulted.

INSTITUTIONAL SETTING FOR THE IMPLEMENTATION OF THE SESA AND SUBSEQUENT ESMF:

The Ministry of Forestry/FORDA will work with the National Forestry Council (Dewan Kehutanan Nasional, DKN) in carrying out the SESA.

DKN is a council specifically created to discuss forest policies with the broader public and is organized into five chambers - government, communities, companies, academics, and NGOs including indigenous representatives' organizations. DKN was established at the Fourth Indonesia Forestry Congress in 2007 and legalized by Minister of Forestry regulation number P.39/Menhut-II/2007. DKN's creation forms part of the implementation of Article No. 70 of Law No. 41/ 1999 regarding Forestry, which stipulates that the government has to encourage community and civil society participation in the forestry development process.

DKN is a constituent based organization. The elected Council consists of 13 voting members from the five stakeholder groups, and 5 additional non-voting members. The Council's mandate is to help in the formulation of effective policies through increased consultation among stakeholders, increased agreement on important forestry issues, and increased dissemination of information on the performance of the forestry sector.

During the implementation of FCPF activities, the Ministry of Forestry will coordinate closely with DKN to conduct the SESA and related consultation process and produce the Environmental and Social Management Framework (ESMF)..

Involvement of key CSO organization such as Telapak and Aman will be systematically sought in the process of information and consultation.

Responsibilities and Staffing of the SESA Task Team

The National Forestry Council (Dewan Kehutanan Nasional - DKN), which was created to discuss forest policies with the public, will support Forda to manage the process, leading the consultations, and preparing the final report of SESA. The Council will create a team of 4-5 members to undertake the tasks. The team will work with the Ministry of Forestry in carrying out the SESA and preparing the ESMF. The final outputs of the SESA are subject to the approval of FCPF Readiness Preparation Grant Steering Committee.

In terms of staffing, the SESA consulting team shall include at least one SEA expert, one carbon finance expert, one environmental specialist, and one social specialist.

The SESA team will be responsible for the following tasks among others:

- Preparing detailed schedule of SESA process tasks (as defined in section on scope of work) for review by the project Steering Committee by June 2011
- Deliver a scoping report by June 2012 for review by the Steering Committee;
- Deliver final SESA report by March 2013 for review by the Steering Committee.

Terms of Reference of Environmental and Social Management Framework

The Environmental and Social Management Framework (ESMF) will describe the risks and potential impacts associated with future REDD+ projects and activities and will include adequate safeguard measures. It applies to future REDD+ activities funded by the World Bank or the Government or other Agency willing to use WB safeguards.

This TOR is part of a broader consultancy which includes the Strategic Environmental and Social Assessment (SESA). The activities contained in the present TORs follow logically those included in the SESA. The same consultants charged with the SESA will be requested to undertake the tasks described in the present TORs.

The present TORs are only a draft. It will be enriched and sharpened during the implementation of the SESA.

BACKGROUND

For all REDD+ Demonstration Activities, it will be important to ensure that potential negative environmental and social impacts are minimized, while striving to enhance benefits for local communities and the environment. The ESMF will help to provide a comprehensive framework on how to address potential adverse social and environmental impacts for future FCPF and WB financed REDD+ activities. The Environmental and Social Management Framework will describe the risks and potential impacts associated with projects and activities and will include adequate safeguard measures.

A preliminary assessment has indicated that the following safeguards may be triggered by REDD+ related activities in Indonesia:

Environmental Assessment (OP/BP 4.01)

Natural Habitats (OP/BP 4.04)

Forests (OP/BP 4.36)

Pest Management (OP 4.09)

Physical Cultural Resources (OP/BP 4.11).

Indigenous Peoples (OP/BP 4.10)

Involuntary Resettlement (OP/BP 4.12)

PRINCIPLES AND OBJECTIVES

The ESMF provides for an examination of the risks and potential impacts associated with one or more project(s), activity(-ies) that may occur in the future. The Framework sets out the principles, guidelines, and procedures to assess environmental and social risks, and proposes measures to reduce, mitigate, and/or offset potential adverse environmental and social impacts and enhance positive impacts and opportunities of said project(s), activity(-ies), or policy(-ies)/regulation(s).

The ESMF incorporates procedures for: (i) consultations with concerned stakeholder groups; (ii) capacity building measures; and (iii) environmental and social impact screening, assessment, and monitoring. The Framework also specifies the inter-institutional arrangements for the preparation of time-bound action plans for mitigating adverse impacts related to the future project(s), activity(-ies), or policy(-ies)/regulation(s).

By doing the above, the ESMF will provide the overall framework for addressing social and environmental risk management issues in FCPF and WB financed REDD+ activities that are implemented beyond the readiness preparatory work. The measures recommended by the ESMF apply to future REDD+ interventions financed by the World Bank as well as by the Government or other Donors willing to use World Bank safeguards.

The development of the ESMF will be closely coordinated with other FCPF program activities. Consultants preparing the ESMF will take into account the analytical outputs of the FCPF program, in particular the description of environmental and social risks related to REDD+ that is an output of the Strategic Environmental and Social Assessment. Facilitation of workshops to consult on the initial draft of the ESMF will be the responsibility of those managing the overall stakeholder engagement process.

BACKGROUND INFORMATION USED IN THE ESMF

The ESMF will use the information produced by the SESA to describe the potential risks and safeguard issues for future REDD+ investments. In particular, it will include:

- A description of the **indicative REDD+ strategy option(s)**, its main social and environmental considerations, and the various risks involved in its implementation, drawing on information available from various documents, including analytical work carried out as part of the FCPF program;
- An outline of the **legislative, regulatory, and policy regime** (in relation to forest resources management, land use, indigenous rights, etc.) that the REDD strategy options will be implemented within, drawing on information available from various documents, including analytical work carried out as part of the FCPF program, together with any reforms in this regime that are proposed as part of the REDD strategy options' implementation;
- A description of the **potential impacts**, both positive and negative, deriving from future project(s) and activity(-ies) associated with the implementation of the emerging strategy, and the geographic/spatial distribution of these impacts;
- A description of the **arrangements for implementing the specific project(s) and activity(-ies)**.

CONTENT OF THE ESMF

In addition, the ESMF will include the following main elements:

- A description of the particular **institutional needs within the National Readiness Management Arrangements** for implementing the ESMF. This should be based on a review of the authority and capability of institutions at different administrative levels (e.g. local, district, provincial/regional, and national), and their capacity to manage and monitor ESMF implementation. The analysis should draw mainly from the R-PP and may extend to proposed laws and regulations, new agencies or agency functions, staffing needs, inter-sectoral arrangements, management procedures, operation and maintenance arrangements, budgeting, and financial support.
- An outline of **capacity building actions** for the entities responsible for implementing the ESMF.
- Requirements for **technical assistance** to public- and private-sector institutions, communities, and service providers to support implementation of the ESMF.
- An outline of the **budget** for implementing the ESMF.
- Provisions for Monitoring and Evaluation
- Complaint mechanism

Preparation of a final draft ESME. The final draft will have to be suitable for inclusion in the R-Package, will have to be consistent with the safeguard policy on Environmental Assessment (OP 4.01) and contain specific sections addressing the requirements of other applicable safeguard policies. These sections will

draw on country-specific information generated by the SESA and will take the form of free-standing “chapters” within the ESMF that will resemble the frameworks provided for in the policies themselves, including as relevant:

1. **Environmental Management Framework (EMF)** to address any potential environmental impacts and necessary mitigation measures;
2. **Resettlement Policy Framework (RPF)** to address any potential land acquisition and/or physical relocation, as required by the World Bank Involuntary Resettlement policy (OP 4.12);
3. **Process Framework (PF)** for situations of restriction of access to natural resources within legally designated parks and protected areas, as required by the World Bank Involuntary Resettlement policy (OP 4.12); and
4. **Indigenous Peoples Planning Framework (IPPF)** as required by the World Bank Indigenous Peoples policy (OP 4.10).

Public consultations on the ESMF will be integrated into the FCPF consultation processes in the country. Consultations should extend from the national level to the lowest level (e.g. district) where site-specific project(s) and activity(-ies), if any, will be proposed, approved, and then implemented.

SCHEDULE AND DELIVERABLES

Deliverable	Schedule
Detailed workplan	2 weeks after signing
Initial draft ESMF	6-8 weeks after signing
Presentations of draft at consultations at DA locations and at national level	Following delivery of draft
Final draft ESMF	14-16 weeks after signing

CONSULTANT QUALIFICATIONS AND EXPECTED LEVEL OF EFFORT

The ESMF will be prepared by a multi-disciplinary team reflecting the necessary environmental and socio-cultural expertise. The ESMF preparation team will have to be capable of addressing all of the safeguard policies triggered by the project(s) and activity(-ies) that may occur in the future from the implementation of the emerging REDD+ strategy option(s), and of carrying out all the tasks outlined in the Scope of Work above. The team will be expected to manage the preparation of both the overall ESMF and each of its separate sections or “chapters” (corresponding to the EMF, RPF, etc.). The team will be familiar with World Bank environmental safeguards policies, and similar requirements in Indonesia, and have demonstrated experience in successfully meeting these qualifications.

Annex 2 to the SESA TOR

Activities financed under the Grant and subject to the SESA

Activities	Target Output	Fund Management	
		World Bank	Ministry of Forestry
Focus Area 1: Analytical work (USD 268,900)			
1.1 Analyze drivers of deforestation from a development perspective, land use demands, and demographic development	Synthesis and analysis drawing primarily from available assessments and studies on deforestation in Indonesia with specific focus on future land use demands and demographic development.	USD 90,000	
1.2 Screen options for priority investments to reduce deforestation and forest degradation including a trade-off assessment	Compilation of options for main investment types to reduce drivers of deforestation based on existing program proposals, discussion of pros and cons and possible risks and impacts.	USD 40,000	
1.3 Identify activities within the country that result in reduced emissions and increased removals, and stabilization of forest carbon stocks	Discussion of options (policies, investments, demonstration activities) for mitigation actions, assessment of trade-offs, and identification of road blocks.		USD 89,500
1.4 Rapid situational analysis concerning REDD policy in the country	Progress report on REDD+ activities in Indonesia (compilation of studies, initiatives and actions under way that would lead to readiness)		USD 49,400
Focus Area 2: Support to readiness process (USD 1,754,000)			
2.1 Institutional setting and legal framework for REDD implementation:	Gaps in regulatory framework for REDD+ assessed and options for improvement identified.		USD 82,200
<i>- Stakeholder process to review existing regulatory framework (e.g. Permenhut P. 68/2008, P.30/2009, P. 36/2009) to discuss options and suggestions to be considered key stakeholder, specifically by Ministry of Forestry, Ministry of Finance and REDD+ agency</i>			<i>USD 22,261</i>
<i>- Provide support to REDD+ Working Group public consultations and meetings</i>			<i>USD 19,192</i>
<i>- Develop guidance for effective engagement of indigenous people and local communities for subnational Demonstration Activities (likely – tbd - locations: South Kalimantan, South Sumatra (Musi Rawas), Maluku, NAD, West Papua)</i>			<i>USD 40,747</i>
2.2 Capacity building of institutions and	Capacity of REDD+ related		USD 264,500

Activities	Target Output	Fund Management	
		World Bank	Ministry of Forestry
stakeholders involved in the implementation of REDD activities: Training of trainers (ToT) on carbon accounting and monitoring (ground check and spatial data analysis) at national and sub national levels. Location: East Kalimantan, South Kalimantan, Maluku, NAD, West Papua, East Java, South Sumatra.	institutions strengthened		
2.3 Prepare a quick assessment of Revenue sharing options in the international context, assess existing proposals in Indonesia and convene a stakeholder process to provide inputs to Ministry of Finance and the REDD+ Task Force to prepare guidelines or resolutions on the REDD+ revenue sharing process. :	Compilation of Options for REDD+ revenue sharing mechanisms, pros and cons, and lessons learned from international experiences relevant for Indonesia	USD 100,000	
2.4 Consultation and Outreach:	REDD+ ownership strengthened; awareness and capacities of all REDD+ actors improved	USD 13,572	USD 1,073,728
- Workshops to develop guidance for effective engagement of indigenous people and local communities for future REDD+ Demonstration Activities at subnational level			USD 58,488
- Workshops on investment priority to reduce deforestation			USD 58,489
- Focus group meeting to facilitate establishment of REDD incentive mechanism		USD 13,572	
- Consultations to identify activities within the country that result in reduced emissions and increased removals, and stabilization of forest carbon stocks			USD 118,616
- Public consultation in Jakarta and 5 provinces on institutional setting and legal framework			USD 58,489
- Outreach on management of data and lessons on readiness activities/DA			USD 68,554
- Policy dialogue on development of a time series analysis of the primary social economic and policy aspects of land use change			USD 13,568
- Workshops to discuss development of PSPs			USD 58,489
- Workshops on DA at local level			USD 89,842
- Public consultation to facilitate establishment of REDD WG at sub national level			USD 44,921
- Public consultation to facilitate development of institutional setting at sub national level			USD 44,921
- Stakeholder analysis (desk study)			USD 4,189
- Dissemination of information through website and printed publication			USD 130,578
- Workshops/dialogues on drivers of deforestation from a development perspective, land use and demands, demographic development			USD 118,616
- Peer review by academic institutions of analysis and mapping of land use			USD 30,500
- Workshops on MRV			USD 58,489
- Workshops on SESA/ESMF			USD 116,979
2.5 Management of data, lessons, and funding partner coordination, including periodic review of demonstration activities	Information on Demonstration Activities updated and available in database.		USD 120,000
2.6 Strategic Environmental and Social Assessment (SESA) and ESMF of limited	Ways for addressing key social and environmental		USD 100,000

Activities	Target Output	Fund Management	
		World Bank	Ministry of Forestry
scope	considerations associated with REDD+ are transparently discussed		
Focus Area 3: Assessment and measurement of GHG impacts of land use change (USD 977,900)			
3.1 Analysis and possible mapping of nature and effect of land use on terrestrial carbon cycles.	Information on terrestrial carbon cycles of different land uses.	USD 160,000	
3.2 Development of a time series analysis of the primary social economic and policy aspects of land use change.	Time series information on social economic and policy aspects of LUC.		USD 196,100
3.3 Establishment of permanent sample plots (PSPs) for ground-based forest carbon monitoring (for estimating forest-related GHGs emissions by sources and removals by sinks, and monitoring forest carbon stock changes)	Increased certainty in GHGs estimates from reduced emissions and increased removals, and stabilization of forest carbon stocks.		USD 621,800
Focus Area 4: Regional Data Collection and Capacity Building (USD 531,700)			
4.1 Facilitate the development of REDD+ readiness at subnational level:	The targetted districts have sufficient capacity to prepare for REDD+		USD 531,700
- <i>Capacity building and studies on how to set up REDD+ framework at selected area (locations : South Kalimantan, West Papua, South Sulawesi, Musi Rawas District-South Sumatera, NAD)</i>			<i>USD 275,650</i>
- <i>Developing socio-economic and biophysical studies to support baseline work</i>			<i>USD 189,250</i>
- <i>Discuss Environmental and Social Management Framework (ESMF) and monitoring the implementation with stakeholders in subnational Demonstration Activities</i>			<i>USD 66,800</i>
Operational Costs			USD 67,500
Total:	USD 3,600,000	USD 403,572	3,196,428

Annex IV: DRAFT Communication, Consultation and Outreach Program for Indonesia REDD Readiness Activities Financed through FCPF Program⁸

Activities	Target group	Means of Consultations (Instrument)	Location	Lead Institutions	Proposed Budget Allocation for each activity	Time Frame
1. Stakeholder analysis	All relevant stakeholders at national and DA locations	Desk study	<ul style="list-style-type: none"> • Jakarta • DA locations 		4,189	2011
2. Shared learning through printed publication, website upgrading, operation and maintenance	All relevant stakeholders at international, national, and sub national levels.	Dissemination of information through website and printed publication			130,578	2011-2013
3. Develop guidance for effective engagement of Indigenous people and local communities	<ul style="list-style-type: none"> • Central Government • Local government • Private company • Civil society • Local community and indigenous people 	Workshop and discussion	Jakarta and provinces (South Kalimantan, South Sumatera, Maluku, NAD, West Papua)	FORDA with support from DKN	13,568	2013

⁸ Updated from June 2010 version

Activities	Target group	Means of Consultations (Instrument)	Location	Lead Institutions	Proposed Budget Allocation for each activity	Time Frame
4. Awareness raising on every analytical work activities: a. Drivers of deforestation from a development perspective, land use and demands, demographic development	<ul style="list-style-type: none"> • Central Government • Local government • Private company • Civil society • Local community (informal leader) • Parliament members 	National workshop	Jakarta	• DKN	13,568	2011 – 2012 The workshop at the national and local levels will be held together for the three themes
		Local workshop	DA location (South Kalimantan, South Sumatera, Maluku, NAD, West Papua)	• FORDA with support from DKN	44,921	
		Village dialogue	Villages within defined location	• Local NGO	22,989	
	Youth	Seminars/ workshop	At 7 provinces	Student Associations	37,137	
b. Investments priority to reduce deforestation and forest degradation	<ul style="list-style-type: none"> • Central government • Local government • Private company 	National workshop	Jakarta	FORDA with support from DKN	13,568	2011-2012
		Local workshop	South Kalimantan, South Sumatera, Maluku, NAD, West Papua		44,921	
c. Activities within the country that	<ul style="list-style-type: none"> • Central government 	National workshop	Jakarta	FORDA with support from DKN	13,568	Jan 2012- Mid 2012

Activities	Target group	Means of Consultations (Instrument)	Location	Lead Institutions	Proposed Budget Allocation for each activity	Time Frame
country that result in reduced emissions and increased removals, and stabilization of forest carbon stocks	<ul style="list-style-type: none"> Local government Private company Civil society Local community/indigenous people 	Local workshop	South Kalimantan, South Sumatera, Maluku, NAD, West Papua	FORDA with support from DKN	44,921	
		Village level dialogue	Villages within defined DA location	Local NGO's	22,989	
	Youth	Seminars/ workshop		Student Associations	37,137	
5. Understanding on institutional setting and legal framework	<ul style="list-style-type: none"> Central government Local government Private company Civil Society Local community (informal leader) 	Public consultation	Jakarta and Provinces	MoF/National WG on REDD	58,489	2011
6. Facilitate the establishment of REDD working group at sub national	<ul style="list-style-type: none"> Local government and other stakeholders 	Public consultation	South Kalimantan, South Sumatera, Maluku, NAD, West Papua	MoF/National WG on REDD Local government Ministry of Finance	44,921	2011
7. Facilitate the establishment of incentive REDD mechanism	<ul style="list-style-type: none"> Potential beneficiaries of REDD Relevant institution: e.g. Bappenas 	Focus Group Meeting	Jakarta	<ul style="list-style-type: none"> MoF/ National WG on REDD Ministry of Finance 	13,568	2011

Activities	Target group	Means of Consultations (Instrument)	Location	Lead Institutions	Proposed Budget Allocation for each activity	Time Frame
8. Management of readiness activities	<ul style="list-style-type: none"> • Central government • Local government • Private company • Civil Society • Local community (informal leader) • University • Related research institutions 	Workshop, exhibition/expo	Jakarta	MoF (WG on REDD)	37,137	2012 and 2013
		Social marketing			31,417	
9. Consultation for SESA preparation and implementation	<ul style="list-style-type: none"> • Central government • Local government • Private company • Civil Society • University • Related research institutions 	Workshop (before and after)	Jakarta	FORDA with support from DKN	27,137	2011 2013
			Local (Same as DA Location), pre and after SESA		89,842	
10 REL : technical and policy	<ul style="list-style-type: none"> • Central government 	Workshop at the national level	Jakarta	FORDA	13,568	2013

Activities	Target group	Means of Consultations (Instrument)	Location	Lead Institutions	Proposed Budget Allocation for each activity	Time Frame
and policy aspect: a. technical aspect (PSPs)	<ul style="list-style-type: none"> government • Local government • University • Related research institutions 	Workshop at sub national level (province)	<ul style="list-style-type: none"> • Will be defined 	Local Government	44,921	
<ul style="list-style-type: none"> b. policy aspects • Development of a time series analysis of the primary social economic and policy aspects of land use change • Analysis and possible mapping of nature and effect of land use on terrestrial carbon cycles 	<ul style="list-style-type: none"> • Central government • Local government • Private company • Civil Society • University • Related research institutions 	<ul style="list-style-type: none"> a. Policy dialogue (to reach consensus/comm on understanding on REL to be established) b. Peer review by the academic institutions 	Jakarta	<ul style="list-style-type: none"> DNPI/ Bappenas MoF Local Government 	<ul style="list-style-type: none"> 13,568 30,500 	2013

Activities	Target group	Means of Consultations (Instrument)	Location	Lead Institutions	Proposed Budget Allocation for each activity	Time Frame
11. Support for MRV	<ul style="list-style-type: none"> • Central government • Local government • Private company • Civil Society • Local community (informal leader) • University • Related research institutions 	Workshop at national	Jakarta	Bappenas DNPI MoF	13,568	2013
		Workshop at sub national level (province)	<ul style="list-style-type: none"> • Selected DA locations 	Local Government	44,921	
12. Facilitate the development of institutional setting at sub national level	<ul style="list-style-type: none"> • Local government • Civil Society • University 	<ul style="list-style-type: none"> • Public consultation 	<ul style="list-style-type: none"> • Selected DA locations 	MoF (WG on REDD) and Local Government	44,921	2012
13. Assistance to set up REDD framework at DA	<ul style="list-style-type: none"> • Local government • Local Private company • Civil Society • University (local) • Local community (informal leader) 	<ul style="list-style-type: none"> • Workshop at local level (pre and after DA) 	<ul style="list-style-type: none"> • Location to be defined 	MoF (WG on REDD), Local Government, CSOs	89,842	2012 and 2013

Annex V: Summaries of issues identified in recent consultation processes

The GOI has held a number of multi-stakeholder consultation processes with relevance to REDD+ readiness. These processes have created an important platform for further consultation on REDD+, and have generated stakeholder inputs on a wide range of REDD+ policy issues. Key consultation processes include:

- 18 communication and/or consultation and outreach events that lead to the preparation of the FCPF Readiness Preparation Proposal in 2008 and 2009. All issues raised during this process are listed in the Readiness Preparation Proposal (page 15 – 22 of the RPP). (See Appendix for the list).
- Consultation on Indonesia Climate Change Sectoral Roadmaps and GHG reduction plans, November 2009; Launched 31 March 2010, Bappenas
- Indonesia's 2nd National Communication to UNFCCC, November 2009, Hotel Borobudur
- National REDD Strategy consultations, March 2009 and September 2009
- DNPI - Mitigation cost curve consultations, June-July 2009; Launched Oct 2009
- ICCTF (Indonesia Climate Change Trust Fund) consultation, June-September 2009; Launched Oct 2009
- UNREDD Planning Process and Consultations, August-Oct 2009
- FCPF Planning Process and Consultations , Sept 2009 and May 2010)
- UNREDD sponsored consultations on National REDD+ Strategy, June – August 2010, with National Consultation Workshops in September and November 2010
- WBG consultations on Global Oil Palm Strategy, with Indonesian stakeholders (raising climate, land use, tenure issues), Jakarta, Medan and Pontianak, May 2010, plus ongoing web based consultation.

Below are summaries of stakeholder comments from the following subset of events:

- Consultations on FCPF
- UNREDD sponsored consultations on National REDD+ Strategy,
- Workshop on Building Consensus on Defining the Free, Prior and Informed Consent (FPIC) Concept in REDD+ Activities in Indonesia
- WBG consultations on Global Oil Palm Strategy

FCPF Consultations

In 2009, a series of consultations was conducted regarding the development of Indonesia's RPP at the national and sub-national level. In September 2009 this RPP national discussion sought inputs from civil society and indigenous people's representatives. At a workshop on May 18th 2010 civil society representatives also had the chance to provide initial comments on the proposed FCPF detailed list of activities, and the SESA ToR (Please refer to Ministry of Forestry site [http://www.fordamof.org/articles.php?ctg\[\]=9&ctg\[\]=141&aid=872](http://www.fordamof.org/articles.php?ctg[]=9&ctg[]=141&aid=872)). The following is a summary of issues raised at the May workshop:

Framework for FCPF in relation to Indonesia's REDD+ readiness. FCPF is a component of Indonesia's overall REDD+ readiness framework and efforts are needed to integrate all parts of REDD+ readiness, including FCPF.

Analytical Work.

- Further identification of REDD+ regulations is needed.
- Issues such as improving the integrity of the state forest zone to reduce forest conversion, increasing law enforcement etc. should be addressed explicitly.
- Efforts are needed to synergize REDD+ with private Demonstration Activities (DA).
- Rewards should be given to upstream environmental activities.
- Analysis of causes of forest degradation is needed.
- Tenure is the main problem and measures for conflict resolution should be analyzed for DA locations.
- Identification of activities should be carried out together with partners that are already implementing activities (such as WWF) to avoid overlap.
- The rapid situation analysis concerning REDD+ policy should be followed with an on-going situation analysis.

Management of Readiness Process.

- DA locations should be established based on indicators and criteria and should consider security aspects.
- Options for matching DAs to future market mechanism should be explored.
- Lessons from completed projects should be integrated in to training/capacity building. Training should be extended to concession license holders.
- The forestry sector should receive REDD+ incentives.

Implementing Institution.

- Local consultants and partners should become implementing institutions.
- Regional research institutions, universities (UNPATI, UNHAS, Palangkaraya University etc.) should be included as project partners.

- BAPPENAS should also be included in the regulatory arrangement for REDD+ incentives.

Time Frame. Some activities such as rapid analysis and identification of REDD+ activities suggested to start immediately.

Grand Design.

- There should be an overall design for achieving REDD+ readiness.
- Preparation should include many stakeholders and should be communicated to avoid overlap.
- Readiness should refer to international conventions in order fulfil international commitments.

Consultation and Outreach.

- Each activity should have a clear message in each activity, objectives for each stakeholder, and a communication strategy.
- Not all stakeholders fully understand REDD+ readiness and communication on readiness can become an alternative activity.
- The consultation strategy requires communication knowledge.
- The consultation and outreach program should continue beyond 2012 and programs should consider continuity.
- Socializing REDD+ readiness to youth can be done through science competitions, which also encourage them to do research on REDD+.
- A special communication and consultation strategy is needed for government agencies since many government programs have not yet mainstreamed REDD+ readiness.
- There have been many regional initiatives related to REDD. How to synergize?

Implementation of Communication/Consultation Program.

- There should be an agency with high outreach capacity in local and national levels as a leader in consultation and outreach activities (e.g. FKKM, DKN, REDD task force).
- Stakeholder roles should match their capacity.
- Assistance is needed to improve the capability to lead communication/consultation and outreach programs and to improve communication knowledge for the objectives to be achieved.
- Other agency's involvement (not yet covered in matrix) should be reconsidered which can support consultation and outreach activities.

- There should be a collaboration between stakeholders in the implementation of consultation and outreach due to stakeholder's profile diversity.
- Regular meeting between readiness projects should be held to avoid overlapping and duplication of activities.
- A stakeholder forum for networking should be established.
- Important factors in consultation and outreach process are: to produce updated and quality materials: Leadership in each level; inclusion of institutions in material preparation;
- There should be a clear definition of indigenous people and local community and their full participation should be ensured.

Issues to be considered.

- Indigenous people and local communities should be addressed in FCPF activities. Besides, their active involvement / representation should be considered in the activities and decision making.
- The function of FMU in REDD+ should be communicated to provincial and regency governments.
- There should be communication/communication strategy in government level due to many unharmonized programs and there's a need of a change in development paradigm.
- Use success stories from other institutions like WARSI in assisting communities to avoid redundancy.
- KLN did a mapping of REDD+ readiness initiatives (voluntary and funding). The map can be used as a basis to synergize the activities, avoid overlap and gaps.
- Each stakeholder should know history of forest area to establish the way to managing the area.
- A clear community participation plan should be done and local wisdom should be appreciated to maintain forest sustainability. Local wisdom should be clearly acknowledged in readiness grand design.
- A commitment between stakeholders is needed for the success of consultation and outreach program.
- Reviewing existing policies before making new ones.

Issues to be considered in SESA.

- SESA should pay attention to types of forest management in Java and outside Java. Outside Java the tenurial issue is related to unclear boundaries and people's

rights. This has to be clear before REDD implementation to avoid new problems. In Java forest is managed by Perhutani. It should be considered how people can get benefit from it.

- SESA should also pay attention on distribution of REDD+ benefit to communities and should be based on Voluntary Carbon Market. So far people only receive program, yet they also need money for school etc.
- SESA should address political, law enforcement, social, economic, cultural, education, and security issues.
- Pay attention to legal status of forest area especially those with permits like HTI/HPH. Agreement with permit holders is required.
- Minimize risks by utilizing forums in province and regency so SESA framework can be integrated with local govt policy. Local forums like Musrenbang can also be invited for this should be prepared in local planning and thus it is expected that local government has responsibility and fully support the implementation of activity.
- About benefit sharing as per MOFr decree no. 36, example from Maros Brazil can be used.
- Many different interests should be accommodated in SESA.
- SESA should be done before, during and after the activities are started.

SESA/DA Locations.

- DA should be done in 2 locations; area with conflict potential, i.e. Pontu in Southeast Sulawesi and area with good and bad performance so we can compare one to another.
- TNC has designed DA for regency and did many reviews (social, carbon accounting etc.)
- It's better to implement SESA in area with complex DA-REDD (district based, not project based).
- One good DA-REDD is Berau because of one regency with good landscape and types of forest (conservation, production, plantation, etc).
- FCPF should better facilitate Kuningan regency since local government has a real commitment in carbon trade and Kuningan has a variety of forest types.

REDD Policy.

- Further discussion required on policy to be taken by MOF for REDD implementation. It may be a emission reduction from deforestation and forest degradation through sustainable forest management or carbon stock enhancement.
- At present investment for production forest is more profitable for private sector so we need regulation on low risk investment. Policy to be taken should be accomodated in SESA.
- Don't do the same mistake like in CDM (difficult requirements) when preparing REDD.
- REDD+ payments should cover opportunity cost and opportunity loss. This should be considered investment and not non-tax state revenue.
- Funding availability: REDD needs continuous funding with quick disbursement so the scheme should not pass through the State Budget.

Draft REDD+ National Strategy Consultations (September – October 2010)

The Draft of the REDD+ National Strategy was consulted from September – November 2010 to regional and national stakeholders.⁹ Public consultations were carried out in seven regional areas (see table). Multi-stakeholder inputs were received through consultation meetings, workshops and written comments. An important topic emerging from the regional consultations is the need for REDD+ strategies that meet regional needs. A summary of the main issues raised is provided below.

Regional REDD+ National Strategy Consultations

Region	Provinces Coverage
Java	Yogyakarta, Jakarta, West Java, East Java and Central Java
Mataram	Mataram, West Nusa Tenggara, East Nusa Tenggara, Bali and Maluku
Sumatra I	Aceh, Lampung, West Sumatera and North Sumatera
Kalimantan	West Kalimantan, South Kalimantan, East Kalimantan, and Central Kalimantan
Sulawesi	South Sulawesi, Southeast Sulawesi, Gorontalo, North Sulawesi, West Sulawesi
Papua	Papua and West Papua
Sumatra II	Riau islands, Riau, Jambi, South Sumatera and Bangka Belitung

Summary of issues raised

⁹ All related material has been posted on the UN-REDD website, <http://www.un.or.id/redd>.

The structure and substance of the document. As a strategy document, REDD+ National Strategy is expected to have a clear purpose, scope, and time frame. The strategy usually has a logical framework (Logframe), with clearly defined outputs, indicators of achievement, implementers, and risk analysis. In addition, it is expected that the REDD+ National Strategy will be comprehensive and be interlinked with REDD+ institutional design and the design of REDD+ funding mechanisms.

The position of the REDD+ National Strategy within Indonesia's GHG reduction commitments. Questions were raised whether the REDD+ National Strategy is part of the National Action Plan to Reduce GHGs (RAN GRK), and to what degree the strategy should be implemented with domestic as opposed to foreign funding. Stakeholders proposed that REDD+ should be funded largely through foreign aid. The REDD+ National Strategy was designed to meet the requirements of the Norway LoI and to accelerate the realization of Indonesia's restructuring of forestry sector management and to contribute to reducing GHG emissions.

The Use of the Reference Emission Level (REL) or Reference Level (RL) in the REDD+ National Strategy. As agreed at international negotiations, RL is used as the basis for determining a reference emission level. RL goes beyond carbon-related activities to include non-carbon activities, such as the management of biodiversity and the provision of environmental services.

Disclosure of information on the national deforestation rate. At the national level there is still political reluctance to acknowledge that the deforestation rate in Indonesia is quite high. There is a concern that the process of determining a reference emission level will not be transparent. Openness and transparency is needed especially when reference emission levels are discussed with stakeholders at the sub-national level (provincial, district, city).

Adequate time is needed for consultations that involve multiple stakeholders. Dissemination of information to stakeholders is particularly time consuming and consultation participants need additional time to process information and to provide feedback.

REDD+ and the legal framework. Weaknesses in the legal framework that have contributed to forest degradation and deforestation need to be identified. This includes gaps in the legal framework, such as legislation to strengthen the Forest Management Unit system (KPH). Legislation to support SFM needs to be harmonized. REDD+ should also provide momentum for improving law enforcement in the forestry sector.

Tenure and rights of indigenous peoples. The recognition of indigenous rights is an important condition for the successful implementation of the REDD+ National Strategy. In addition, the REDD+ National Strategy is expected to accommodate the principle of Free Prior Informed Consent (FPIC) and to allow IPs access to and control of decision-making processes.

Benefit Sharing. A fair and equitable benefit sharing mechanism is one of the preconditions to the implementation of REDD+. To that end, the REDD+ National Strategy needs to discuss and provide technical guidance on the proposed benefit sharing mechanism.

The position of the REDD+ National Strategy towards other development policies. There is a need to clarify the relationship of the REDD+ National Strategy to other

development policies, such as the Medium Term Development Plan (RPJM), and the National Strategy Plans for forestry and agriculture.

Definitions of forests and deforestation. The definition of forest in the current draft REDD+ National Strategy (draft 0) follows Law No. 41 on Forestry, while the definition of deforestation follows FAO's definition. According to some parties, Indonesia should clarify these terms within the national context.

The REDD+ Institutional Framework. The question of institutional design for REDD+ is a recurring theme. The institutional framework for REDD+ in Indonesia is unclear, including whether new institutions will be established or whether existing institutions, such as the Ministry of Forestry, are given new duties and authorities. Some participants questioned why the formulation of the REDD+ National Strategy is coordinated by UKP4, a presidential task force with limited duties and authority. Many consultation participants were concerned about the lack of active involvement of the Ministry of Environment, Ministry of Energy and Mineral Resources, Ministry of Agriculture, and Ministry of Maritime Affairs and Fisheries.

Gender justice. The role of women in the consultation process was very limited. Most participants were male, and female participants tended to be more passive. Participants also expressed strong criticism of the lack of gender issues in the analysis of the REDD+ Strategy. As a result, gender inequalities in forest resource access and control are not reflected in the framework of the strategy.

The Rights of Indigenous Peoples. For some participants, the substance of the REDD+ National Strategy draft as well as the discussion process did not adequately recognize and protect the rights of indigenous peoples. These include rights to land or territorial management, the right to the protection of ecosystems, and sovereignty and rights of indigenous peoples to develop a model for environmental management / diverse natural resources.

Carbon trading and incentives. Most NGOs have a very skeptical view of REDD+, as they believe that the global approach shifts the burden of responsibility in carbon emissions reduction to tropical countries. They are also concerned that carbon trading incentives could go to oil palm plantations and industrial timber plantations.

Annex VI: The National Forestry Council and FCPF Activities

The Ministry of Forestry has indicated that it will work with the National Forestry Council (Dewan Kehutanan Nasional, DKN) in carrying out a number of activities that are funded through the FCPF REDD+ Readiness Grant. This note provides background information on DKN and an overview of activities that DKN will carry out.

DKN was established at the Fourth Indonesia Forestry Congress in 2007 and legalized by Minister of Forestry regulation number P.39/Menhut-II/2007. DKN's creation forms part of the implementation of Article No. 70 of Law No. 41/ 1999 regarding Forestry, which stipulates that the government has to encourage community and civil society participation in the forestry development process.

The Ministry of Forestry specifically created DKN to enable cooperation amongst central government, local government, local community, NGOs, educational and research institutions, private sectors, mass media, and related institutions to:

- Form effective forestry policies
- Ensure proper forest management
- Ensure harmony, cooperation and relationship building amongst key stakeholders
- Ensure clarity and assurance of law, business and community rights toward forest resources
- Form cooperation among stakeholders to safeguard national forestry interests

The Council's mandate is to help in the formulation of effective policies through increased communication among stakeholders, increased agreement on important forestry issues, and increased dissemination of information on the performance of the forestry sector.

DKN is a constituent based organization and is organized into five chambers - government, communities, business, academia, and NGOs including indigenous representatives organizations. The elected Council consists of 13 voting members from the five stakeholder groups, and 5 additional non-voting members.

A significant portion of the FCPF Grant activities relates to the development of a policy framework for REDD+. This includes the finalization and testing of recent and new REDD+ relevant regulations, capacity building of institutions and stakeholders, a large subcomponent of consultation and outreach, and the completion of the Strategic Environmental and Social Assessment (SESA).

It is widely understood that REDD+ policies will impact a wide range of stakeholders, including indigenous peoples and forest dependent communities and there is a need to closely involve representatives from these groups in REDD+ policy development. DKN through its mandate and chambers is uniquely placed to facilitate such involvement.

During the implementation of FCPF activities, the Ministry of Forestry will coordinate closely with DKN to conduct the SESA and produce the Environmental and Social Management Framework (ESMF). DKN will have overall responsibility for a number of consultation and outreach activities that support policy development, as well as for carrying out the SESA.

ACTIVITIES TO BE CARRIED OUT BY DKN	Budget (US\$)
Workshops to develop guidance for effective engagement of indigenous people and local communities	58,489
Workshops to discuss investment priority to reduce deforestation	58,489
Workshops to identify activities within the country that result in reduced emissions and increased removals, and stabilization of forest carbon stocks	58,489
Workshops on drivers of deforestation from a development perspective, land use and demands, demographic development	58,489
Workshops on SESA/ESMF	116,979
Development of SESA and ESMF documentation	100,000
Total	450,935

Annex VII. REDD+ Related Donor Funded Projects in Indonesia (source: Brown and Peskett, ODI, 2011)

Source	Funded Project/funding vehicle	Amount (US \$)	Length of funding (years)	Description
AFD	Climate Change Program Loan (CC PL)	3 tranches: 200 mn in 2008 300 mn in 2009 300 mn in 2010	2008 -2010	CCPL aims at developing public policies to support CC and GHG reduction (forestry, energy, industry); CC adaptation, etc
World Bank	Climate Change Development Policy Loan (CC DPL)	200 mn (2010), plus 200 mn planned for 2011	2010-2011	The CCDPL operation provides parallel financing for the CC "Program Loan" in 2010, the Japanese-French loan series initiated in 2008. ADB may join
World Bank	Clean Technology Fund	400 mn	unknown	Significant scale-up of large-scale geothermal power development; and acceleration of initiatives to promote EE and RE, (in particular, biomass).
AusAID	Indonesia Climate Change Transformation Fund (ICCTF)	2 mn	2008/09 -2011/12	support to establish ICCTF
AusAID	Geothermal Project Preparation	1.5 mn	2009/10 -2011/12	TA to (i) prepare pre-feasibility studies for two (220MW) candidate ADB projects
IFCI (Australia)	Kalimantan Forest Climate Partnership (KFCP)	30 mn	2007/08 -2011/12	The KFCP is a REDD demonstration focusing on peatland rehabilitation
IFCI (Australia)	Indonesia's National Carbon Accounting System (INCAS)	2 million	2007/08 -2011/12	build government capacity for forest carbon accounting and develop a system to support credible MRV of GHG on REDD
IFCI (Australia)	IFCA & Support for REDD-plus	3 mn	07/08 -08/09 (IFCA) and 09/10 -11/12 (REDD support)	A working group of ministry experts and researchers, prepared analysis and strategies for GOI for COP 13

Source	Funded Project/funding vehicle	Amount (US \$)	Length of funding (years)	Description
IFCI (Australia)	Sumatra Forest Carbon Partnership	30 million	2010-2012	A second practical activity on REDD-plus (Demo 2) in Jambi
ACIAR (Australia)	Improving governance, policy and institutional arrangements to REDD	1.4 million	2008/09 -2011/12	Support policy and institutional development at provincial and district level to facilitate implementation of REDD
IFCI (Australia)	Asia Pacific Forestry Skills and Capacity Building	8 million	2008/09 -2010/11	Regional capacity for REDD
JICA	Climate Change Program Loan (CCPL)	1 bn: 300 mn in 2008; 400 mn in 2009; 300 mn in 2010	2008-2010	Climate Change Program Loan; support of various projects (capacity building in the areas of CC mitigation and adaptation)
JICA	Climate Change Support Program	10 mn	5 years	Providing TA to BAPPENAS, meteorological agency, Min of Environment in support of NAMA development, MRV, vulnerability assessment
JICA	Natural Environment Conservation Program	unknown	2009-2014 (5 years)	Implementation of National Forestry Strategic Plan, Sub Sectoral Program on Mangrove, National Park Mgmt
JICA	Program for comprehensive urban transport improvement	~6.5 mn	2009-2014 (5 years)	Urban Transport Policy Integration and Implementation, Advisory and Engineering Services for Jakarta MRT
USAID	Environment and Climate Change Cooperation	136 mn	3 years, starting 2010	\$119 to the SOLUSI partnership (Science, Oceans, Land Use, Society, and Innovation); \$7 million to establish a Climate Change Centre in Indonesia,
Norway	International Climate and Forest Initiative	1 bn	2010-2016	Support for REDD+
DFID	Indonesia Low Carbon Growth project (Support to Indonesia Green Investment Fund, IGIF)	2.4 mn (£1.5 mn)	2010-2011	

Source	Funded Project/funding vehicle	Amount (US \$)	Length of funding (years)	Description
DFID	Indonesia Climate Change Trust Fund (ICCTF)	7.5 mn (£4.7 mn spent)	2010-2011	Support of ICCTF which has approved a programme on REDD
DFID	Support to Climate Change Programme	2.5 mn (£1.65 mn budgeted; £582k spent to date)	2009-2011	
DFID	Multi-stakeholder Forestry Programme	7.9 mn (£5 mn)	2007-2011 (second phase)	Enabling conditions for legal and institutional reform toward SFM in place by 2011, that support poverty reduction, and climate change adaptation and mitigation in the forestry sector
UN-REDD	UN-REDD	5.6 mn	2010	Developing designs for payment mechanism linking to MRV system; stakeholder consultations; demo activities.
FCPF	FCPF	3.6 mn	between 2010-2012	Management of readiness process (institutional setting and regulatory framework, capacity building, etc); support establishment of REL and MRV; facilitate new REDD demo activities.
FIP	FIP	80 mn	to be spent between 2010-2012	
Germany (KFW)	Forest & Climate change programe - FORCLIME	28 mn (€ 20)	between 2010-2015	Implementation of REDD strategy; establishment of REL and development of MRV system at the district level; facilitate development of REDD incentive distribution scheme.
Germany (GTZ)	Forest & Climate change programe - FORCLIME	10 mn (€ 7)	between 2010-2015	
Germany (KFW)	Forest Programme II	32 mn (€ 24)	unknown	Demonstration of the technical and economical feasibility of a pro poor approach of REDD in selected districts in Kalimantan
Germany (KFW)	Emissions reductions in solid waste	33 mn (€ 25)	unknown	

Source	Funded Project/funding vehicle	Amount (US \$)	Length of funding (years)	Description
Germany (KFW)	Geothermal programme	277 mn (€ 210 mn)	Between 2011-2017	Exploration and exploitation of geothermal resources (incl. power plant construction)
Germany (KFW)	Exploration of geothermal resources	10 mn (€ 7.7)	Between 2011-2013	Exploration of geothermal resources
Germany (KFW)	Private sector emissions reductions technologies	22 mn (€16.5 mn)	unknown	
Germany (KFW)	Private sector emissions reductions technologies - technical assistance	2 mn (€ 1.5 mn)	unknown	
Germany (ICI)	Biodiversity Conservation through Preparatory Measures for Avoided Deforestation	2 mn (€ 1.45)	2008-2011	
Germany (ICI)	Securing carbon sinks in the Heart of Borneo	1.2 mn (€ 870,000)	2009-2011	Protection/sustainable use of natural carbon sinks with REDD relevance, capacity building, policy dev't
Germany (ICI)	Harapan Rainforest —Pilot Restoration of a Degraded Forest on Sumatra	10 mn (€ 7.6 mn)	2010-2013	Protection/sustainable use of natural carbon sinks with REDD relevance, investments
Germany (ICI)	Biodiversity Conservation through Preparatory Measures for REDD in the Merang Peat Forests	0.9 mn (€ 630,000)	2009-2011	Province Forest Admin Office, District Forest Admin Office
Germany (ICI)	Carbon-financed forest management in Tropical Rainforest Heritage of Sumatra	0.898 mn (€ 0.64)	2009-2011	Protection/sustainable use of natural carbon sinks with REDD relevance, investments
Germany (ICI)	Support for Autonomous Village Energy Programme 'Desa Mandiri Energi'	0.35 mn (€ 0.25)	2008-2009	Contribute to the dissemination of renewable energy sources in rural regions of Indonesia.
Global Environment Facility (GEF)	Geothermal Development Programme	4 mn	unknown	The Geothermal Power Generation Development Program and The Indonesia Chiller Energy Efficiency Project (conversion of inefficient chillers).

Source	Funded Project/funding vehicle	Amount (US \$)	Length of funding (years)	Description
EU	Accountability and Local Level Initiative to Reduce Emission from Deforestation and Degradation in Indonesia (ALLREDDI)	1.26 mn (EUR 896769)	2009-2011	To assist Indonesia to account for land-use based greenhouse gas emissions and to be ready to use international economic 'REDD' incentives for emission reduction in its decision making at the local and national levels
EU	Promoting, conservation and sustainable management of the lowlands forests of South central Kalimantan	1.44 mn (EUR 1.02 mn)	2007-2011	Maintenance of functioning tropical forest ecosystems in the context of a protected area network that supports sustainable rural development
EU	Collaborative land use planning and sustainable institutional arrangement for strengthening land tenure, forest and community rights in Indonesia	2.5 mn (EUR 1,796,000)	2010-2014	Avoid deforestation and environmental degradation by supporting the development of sustainable institutional arrangements promoting land policies and instruments involving local communities
EU	Developing community carbon pools for Reduced Emissions from Deforestation and Degradation (REDD) projects in selected ASEAN countries	3.26 mn (EUR 2,328,000)	2010-2012	To build capacity of local communities and local governments to actively participate in REDD+ pilot projects and feed back lessons learned into policy dialogues at sub-national, national and regional level
EU	Building coastal resilience to reduce climate change impact in Thailand and Indonesia	2.44 mn (EUR 1,740,000)	2010-2012	Coastal populations in Indonesia and Thailand are increasingly resilient to the negative impacts of climate change.
EU	Regional Support Programme for the EU FLEGT Action Plan in Asia.	8.12 mn (EUR 5.8 mn)	2008-2012	To improve forest governance in the Asia region, contributing to poverty eradication and sustainable forest management, through support to the implementation of the EU FLEGT Action Plan

Source	Funded Project/funding vehicle	Amount (US \$)	Length of funding (years)	Description
EU	Strengthening Civil Society to Promote Integrated Action and Policies to Tackle Tropical Deforestation in Asia-Pacific	1.68 mn (EUR 1.2 mn)	2009-2012	<ul style="list-style-type: none"> • Improved governance of forests in East Asia resulting in benefits for rural livelihoods and reduced forest loss • Effective implementation of FLEGT VPAs in East Asia with robust timber legality verification systems • Forest governance issues embedded in REDD schemes and community-based forestry management schemes in Indonesia
EU	Strengthening state and non-state actors in the preparation, negotiation and/or implementation of FLEGT-VPA	2.38 mn (EUR 1.7 mn)	2011-2014	To support the participation of civil society organisations, indigenous people organisations, private sector and other non state actors in national processes for FLEGT VPA preparation, negotiation and/or implementation by increasing the effectiveness and efficacy of the Timber Legality Assurance System
EU	Strengthening Indonesia Independent Forestry Monitoring Network to ensure a credible timber legality verification system and effective VPA implementation	0.278 mn (EUR 0.199 mn)	Provisionally selected. Not started yet	Indonesian civil society plays central role in development and implementation of policies related to forest governance
EU	Strengthening Civil Society Organizations and Small and Medium Timber Industries in VPA Preparation and SVLK Implementation	0.348 mn (EUR 0.249 mn)	Provisionally selected. Not started yet	The specific objective of the proposed project is strengthened capacity of local community organizations and Small and Medium Scale Timber Industries for the implementation of VPA Preparation and timber legality verification known as SVLK in Community Forests.

Source	Funded Project/funding vehicle	Amount (US \$)	Length of funding (years)	Description
Planned support in the pipeline				
DFID	CC bilateral cooperation	80 mn (£50 mn)	5 years (meant to start in 2010)	Partnership between UK & Indonesia - Activities and scope under development-Two areas of forward partnership: LULUCF, and low carbon devt pathway.
AusAID	CC bilateral cooperation	TBD, likely 40-50 mn	over next few years	As part of their future 'Fast Start Finance' commitments, AusAID will be supporting Indonesia with additional grants over the next few years.
United States	US Millennium Challenge Corporation (MCC)	TBD, likely 700 mn	over 4-5 years	Proposed investment to support REDD+
EC	CC support programme	21 mn	unknown	
TBD	Indonesia Green Investment Fund (IGIF)	TBD	TBD	IGIF will catalyse private-public partnerships (PPPs) in order to mobilise investment in low-carbon development. Several governments have shown interest in contributing.