

**READINESS PLAN ASSESSMENT NOTE ON  
ENVIRONMENTAL AND SOCIAL SAFEGUARDS  
FOR A  
PROPOSED REDD READINESS PROGRAM  
IN  
INDONESIA**

6/12/2009

Preliminary Comments and Recommendations

## **A. INTRODUCTION**

### **1. The FCPF, REDD and REDD Readiness**

The Forest Carbon Partnership Facility (FCPF) is assisting developing countries in their efforts to reduce emissions from deforestation and forest degradation (REDD) by providing value to standing forests. It 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 from REDD as well as 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 around five countries that will have made significant progress towards REDD readiness will 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 will receive grant support to develop a Readiness Plan (R-Plan), 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 plan is also part of the Readiness Plan.

## **2. Main Activities for Which Financing Is Sought from the FCPF**

*From the list of studies and activities in the R-Plan, identify those for which the REDD Country Participant seeks support from the FCPF.*

Background Studies: identification of drivers of deforestation (US\$138,000)

Management of REDD, consultation, communication and participation (US\$ 491,000)

Design REDD strategy, evaluate opportunity costs, evaluate and monitor demonstration programs (652,000)

Create and implement REDD implementation framework: Create a national registry, assist Ministry of Finance in creating a Benefit Sharing system for REDD, create a national REDD coordination unit, build capacity (469,000)

Environmental and Social Assessment of REDD activities, capacity building (342,000)

Develop Reference Scenario for REDD, acquisition and data, background studies (719,000)

Design a system of management, reporting and verification system for REDD (285,000)

## **B. READINESS PLAN ASSESSMENT NOTE**

Indonesia's R-Plan is intended to assist Indonesia in preparing for a future REDD regime which ultimately will lead to improved management of forest resources according to sustainable principles. The rising global awareness of the fact that deforestation and degradation in the tropics account for about 20% of total global carbon emissions highlights the potential of Indonesia's protected forests to play a significant role in contributing positively towards climate change mitigation.

The scope of the assistance covered during this readiness phase is limited to:

- (i) background studies and analytical work to further improve the understanding of the dynamics of the drivers of deforestation, historic trends and causes;
- (ii) creation of a mechanism that permits Indonesia to manage REDD at a national level by creating a national registry coupled with coordination mechanisms that enable Indonesia to evaluate, supervise, and account for sub-national REDD programs/REDD projects (which are implemented by third parties) and define an equitable benefit sharing system of future revenues from REDD;
- (iii) build capacity and assist the Ministry of Forestry in establishing the National Carbon Accounting System, improve remote sensing capacity and biomass and carbon stock assessment and mapping;
- (iv) Consult and communicate issues linked to REDD, build capacity at Governmental and sub-national level which includes Forest Dependent Indigenous Peoples and Other Forest Dwellers.

The scope of assistance for readiness mechanism does not include the implementation of the REDD programs on the ground, which would include investments and policy discussions at a national level. The investment phase and carbon transactions would commence after the conclusion of the readiness phase and would be financed by private investors and/or public investments, and not by this FCPF readiness grant.

However, the proposed activities for which the GoI seeks finance are still quite vague and require specification between now and the preparation of the grant agreement. Only then it would be possible to issue clear guidance on how safeguards would apply during the readiness process.

### **Overview of institutional arrangement and main focus of a grant from the FCPF:**

The Ministry of Forestry released the Regulation No. P30/Menhut-II/2009, which set out how Indonesia will manage activities related to REDD implementation on the ground. Indonesia commits to a system of national accounting but with sub-national implementation (through projects). The REDD guidelines (**Regulation No. P. 30/Menhut-II/2009**) set out the following items:

- Location, proponents and requirements
- Procedures to apply REDD, review and approval
- Rights and obligations
- Timeframe
- REL, monitoring and reporting
- Verification and certification
- Incentive Distribution and liabilities
- Types of REDD activities

- Technical Guidelines

The current Ministry of Forestry Working Group intends to work on a draft regulation for a REDD Commission (National Working Group on REDD) who will be tasked to oversee REDD implementation in future. The National REDD Working Group (NRWG) will consist of representatives from relevant sectors and stakeholders, including civil society representatives (RPlan does not define yet). As the members of the WG are high level officials (Directorate General level), their duties are more dealing with strategic issues. To conduct their duties they will be backed-up and assisted by a/the? Technical Team, whose members are at a more technical level (Director level) and REDD Secretariat.

**General Environmental Issues when it comes to the implementation of REDD programs:**

Proper management of natural forests can and should support sustainable production of a range of wood and non-timber products, preserve the forests' capacity to render environmental services, conserve biological diversity, and provide livelihoods for various groups (including indigenous forest dwellers or tribal peoples who represent endangered cultural assets). Maintaining an area under forest cover does not only prevent the carbon stock from being released into the atmosphere, but would also control erosion, stabilize slopes, moderate water flows, protect aquatic environments, maintain soil fertility, preserve wildlife habitat and biodiversity, and provide non-timber forest products important to local economies and households.

**General Social Issues when it comes to the implementation of REDD programs**

If forest areas are closed for rehabilitation or conservation it can reduce income of surrounding populations can be reduced by depriving them of important foodstuffs or income-generating products. Such closure can lead to greater degradation of adjacent forest areas by people seeking to find substitutes for the resources to which they have lost access. If pressures on the closed area are too great, the conservation or rehabilitation efforts may be jeopardized. Conversely, incentives for sustainable forest management can help to preserve critical ecosystem services upon which local communities rely for their livelihoods. Forest dwellers have considerable knowledge about the qualities, potential utilization, and sustainability of the local flora, fauna, and geologic resources based often on centuries of use. Hunting and gathering as well as subsistence slash-and-burn agriculture have been practiced sustainably in most tropical forest areas for hundreds of years. The social organization of traditional groups is generally highly adapted to the demands of particular production systems. Both the technical and managerial knowledge of these resources can be very useful to technical specialists seeking to intensify or modify production in that or a similar area, i.e., adapting agricultural recommendations to areas presently under shifting cultivation, or developing forest management and utilization models for forest lands to be rehabilitated.

Benefit sharing mechanisms might also affect local populations. Depending on the way a financial incentive system is set up, selected activities would be promoted. As there is a significant and important role for local communities to play in the preservation and management of forests, it is critical to include all stakeholders in the development/design of the definition of the use of future revenues.

It will be important, however, that expectations be carefully managed when collaborating with local communities to define a benefit sharing system for future REDD revenues, as REDD is a performance based system and emissions have to be reduced first before revenues can be distributed.

## **Recommendations:**

Given that the specifics of proposed activities are not yet finalized, the World Bank recommends to prepare a framework arrangement for social and environmental due diligence of such potential projects at this stage. The Framework should include:

1. Criteria for Screening individual project activities to determine what safeguard policies might apply, e.g., including Natural Habitats, access to natural resources and Indigenous Communities (see below)
2. Definition of Responsibilities
3. Institutional Assessment;
4. TORs for required studies related to the activities to be financed, and
5. Oversight/Reporting requirements, including Bank prior review

The Framework's screening criteria should help determine whether activities require application of safeguard policies.

Separate from potential project specific activities, the World Bank recommends carrying out a Strategic Environmental and Social Assessment (SESA) to address the overall proposed REDD program that would ensure and include, among other pertinent matters:

- Terms of Reference (TOR) are reviewed and agreed upon for any future social, environmental, and economic assessments that may be required in World Bank OPs/BPs;
- TORs are agreed for, and economic, environmental, and social analyses are undertaken to, identify the economic, environmental, and social significance of forests as part of any World Bank-financed investments that may adversely affect the well-being of forests and the people who depend on them;
- TORs for Inventories are agreed and will be done at a spatial scale that are ecologically, socially, and culturally appropriate for the forest area in which the project or investment program is located to identify critical forest areas and assess the adequacy of land allocations to protect these areas;
- Linkages between any proposed forest sector activities and the poverty reduction, macroeconomic, and conservation objectives of the World Bank's country assistance program are clear;
- An evaluation of the potential for developing markets for the full range of forest goods and services, giving preference to small-scale, community-level management approaches that best harness the use of forests for poverty reduction in a sustainable manner; and
- The meaningful involvement of local people, communities, and the private sector in defining activities to be undertaken in the management, conservation, and sustainable utilization of natural forests or plantations.

The TORs for the SESA should be prepared and agreed prior to the signature of the grant agreement and be based on a free, prior and informed process, seeking to build broad community support among concerned groups.

The SESA and Framework documents are intended to be mutually supportive, one to provide the basis for assessment of the overall program, the other to be used as part of screening for individual project activities.

## 2. Safeguard Capacity:

### **Recommendation:**

A Safeguard mission prior to the signature of the grant agreement, will need to verify the capacity of the Ministry and relevant implementation agencies to deal with the safeguard instruments and if a workshop on the Technical Guideline comprising of Environmental Assessment and its operationalization will be needed to be carried out to create an understanding of environmental and social safeguard policies and their implementation and monitoring requirements and measures.

**Consultation Capacity:** The Executing Agency has capacity in the implementation of REDD consultation, participation and outreach activities. The agency has prepared a comprehensive framework for a consultation plan that incorporates a process of consultation, participation and outreach to ensure the involvement of stakeholder in REDD deliberation and implementation both at the national and selected regional levels. The Executing Agency has prepared the legal basis for the role of forest dwellers and indigenous people in the implementation of REDD Plan in the form of Ministerial Decree (Permenhut) No. P. 30/2009. According to the Ministry Decree, their involvement may be as **REDD implementer** in “Hutan Adat” for the indigenous people, and in “Hutan Desa” or “Hutan Kemasyarakatan” for forest dwellers. They may also be involved in **REDD monitoring** specially in the ground inventory of forest area where they depend on. The involvement of local government as an actor of REDD is very important to make sure that the REDD activities give benefits to forest dwellers and indigenous people residing in the forest area where REDD activities is taking place.

### **Recommendation**

See below, point 2

**REDD Working Group and benefit sharing:** The Executing Agency has prepared a platform for the R-Plan by preparing legal basis for the R-Plan implementation (Kepmenhut No.P.30/2009) which also a basis to set up National and Provincial Working Group on REDD, where participated provinces (sub-national level) are being prepared its provincial working group. The National Working Group consists of high level official representatives from relevant agencies and stakeholders including representative from civil societies.

**Recommendation:** Regarding benefit sharing the Executing Agency is advised to consider strong coordination among stakeholders, by involving other related Ministries such as the Ministry of Finance, Ministry of Home Affairs and Bappenas. In line with the Regulation No. P. 30/Menhut-II/2009, in the identification of beneficiary distribution, special attention should be given to forest communities, indigenous people and small holders.

### 3. Consultations and Participation

The Executing Agency has conducted consultation meeting as a part of general REDD dissemination, R-Plan preparation both at national and provincial level. The consultation plans were comprehensive and wide –reaching including the TORs as annexes of the proposal. The consultation has been attended by explicit stakeholders including Indigenous People and forest dwellers and observations and comments were made public. However, not all provincial consultation meeting were attended by Indigenous People Representative such as South Sumatera and East Kalimantan Provinces.

**Recommendation:** The TORs for the Readiness Plan attached to the Readiness Plan are consistent with the guidance note prepared by the FCPF. Further consultation prior to the grant agreement should therefore have a main focus on discussion of the consultation framework prepared and included in the Readiness Plan, with the objective to reach a more comprehensive consultation plan that would be acted upon during the readiness phase. This consultation should be based on a free, prior and informed process, seeking to build broad community support among concerned groups. Participants in these consultations should be determined based on the preliminary assessment of stakeholders provided in the R-Plan and include further IP representatives but should also include the private sector more, if possible.