

INTEGRATED SAFEGUARDS DATASHEET

APPRAISAL STAGE

Report No.:

Date prepared/updated: October 27, 2016

I. Basic Information

1. Basic Project Data

Country: Republic of Indonesia		Project ID: P124583	
		Additional Project ID (if any):	
Project Name: Indonesia – FCPF REDD+ Readiness Preparation Support - AF			
Task Team Leader: Ann Jeannette Glauber			
Estimated Appraisal Date: N/A		Estimated Board Date: N/A	
Managing Unit: GENDR		Lending Instrument: Grant under the Forest Carbon Partnership Facility (FCPF)	
Sector: Forestry (100%)			
Theme: Climate Change (100%)			
IBRD Amount (US\$m.):			
IDA Amount (US\$m.):			
GEF Amount (US\$m.):			
PCF Amount (US\$m.):			
Other financing amounts by source: \$5 million (FCPF)			
Environmental Category: B – Partial Assessment			
Is this a transferred project	Yes []	No [X]	
Simplified Processing	Simple [X]	Repeater []	
Is this project processed under OP 8.00 (Rapid Response to Crises and Emergencies)	Yes []	No [X]	

2. Project Objectives:

1. The Project Development Objective (PDO) remains unchanged from the original grant. It is “to contribute to the development of the Recipient’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, all consistent with local, regional, and national conditions and circumstances”.

2. In addition to the three results indicators identified in the original US\$3.6 million grant, it is proposed that two new results indicators are added. The additional results indicators reflect aspects of the National REDD+ Readiness Process that were not fully addressed in the US\$3.6 million grant, but that would be addressed under AF.

3. The achievement of the original PDO is being measured through the following indicators:

- a. A SESA is prepared and endorsed by national stakeholders including competent government agencies.
 - b. Conditions and circumstances impacting the National Reference Scenario (baseline) are quantified and discussed with relevant stakeholders.
 - c. 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.
4. The achievement of the proposed AF Grant objectives would be measured through the following additional results indicators:
- d. Indonesia will be REDD+ Ready (based on the assessment criteria of the Readiness Package).
 - e. Large-scale emission reduction program at the sub-national level will be designed to pilot the implementation of REDD+.

3. Project Description:

5. The proposed Additional Funding (AF) would help finance the costs associated with scaled-up activities to enhance the impact of a well-performing project. Activities under the original Readiness Preparation Grant (“original grant”) were progressing well as of the Mid-Term Review (MTR) that was carried out by the Government of Indonesia (GoI) in April 2014, with the May 2016 interim GRM showing overall grant implementation performance is *Moderately Satisfactory*, and on track to meet the PDO. The GoI’s request for Additional Financing in the amount of US\$5 million was approved at the 14th FCPF Participants’ Committee meeting in July 2014 in Lima, Peru.¹ The AF Grant will support: 1) Indonesia designing REDD+ architecture at the sub-national level, with a special focus on East Kalimantan, consistent with the national REDD+ framework; 2) finalization of the few remaining requirements for national REDD+ Readiness; and 3) design of sub-national results-based payment pilot programs.

6. As of September 22, 2016, 96% of the original grant has been disbursed. While the grant has made significant progress, the GoI has identified remaining technical gaps and associated financial needs towards the preparation of a Readiness Package (R-Package). The proposed AF Grant will support categories of activities identified in the Readiness Preparation Proposals (R-PP), approved by the FCPF Participants Committee in 2009, that have not yet been completed, or additional activities to scale up impact. These activities fall under the original four components (See Annex 1 for detailed activities) and are restated below to exclude activities that have been completed:

¹ Resolution of the 17th PC Meeting: Indonesia’s request of Additional Financing - <https://www.forestcarbonpartnership.org/sites/fcp/files/2014/July/Final%20Resolution%203%20Indonesia%20mid%20term%20and%20additional%20funding.pdf>

- i. Analytical Work
- ii. Support to the Readiness Process
- iii. Reference Emission Levels and Measurement, Reporting and Verification
- iv. Regional Data Collection and Capacity Building

Table 1: Costs by Component

Components	Original Funding	Additional Funding	Total
Analytical Work	268,900	420,000	688,900
Support to Readiness Process	1,754,000	1,540,000	3,294,000
Reference Emission Levels and Measurement, Reporting and Verification	977,900	1,640,000	2,617,900
Regional Data Collection and Capacity Building	599,200	1,400,000	1,999,200
TOTAL	3,600,000	5,000,000	8,600,000

Component 1: Analytical Work (Additional Funding: \$420,000)

7. This component focuses on the development of national policy frameworks and institutional capacity that are essential to allow Indonesia to effectively promote REDD+ and meet international standards for results-based payments. This includes the development of a framework for a national reference level and an MRV system that allows consistent, repeated and transparent measurements of emissions and their reduction in various parts of the country. An important element is the development of a framework for the collection, processing, and management of information generated at the sub-national (provincial) level. Similarly, a national framework is required for application of safeguards and benefit sharing (including the flow of funds) that guide implementation at the sub-national level, notably for the development of the proposed program in East Kalimantan. The activities to be supported focus on policy analysis and capacity building, largely through the facilitation of a policy decision-making process at the national level.

Component 2: Support to Readiness Process (Additional Funding: \$1,540,000)

8. This component is designed to advance detailed investment and implementation planning for the proposed REDD+ program in East Kalimantan, and for the proposed BioCF ISFL program. The principal outputs will be program designs that are operationally, technically and financially sound and meet requirements for World Bank financing. At the core is the development of a provincial investment and implementation plan for East Kalimantan with

prioritized and budgeted interventions, estimated results (carbon and non-carbon), required capacity building, necessary financing, analysis of environmental and social risks, and roles and responsibilities of local and provincial stakeholders. Such a plan will be an important instrument for government to attract and target necessary investments, including from the private sector. This component will include continuing the capacity building of institutions and stakeholders involved in the implementation of REDD+ activities.

9. An integral part of this component is the application of relevant safeguards instruments to minimize any social and environmental risk associated with REDD+ actions. This will include the continuation of (i) consultation and outreach, and (ii) carrying out an assessment of potential strategic environmental and social impacts that may ensue from future REDD+ activities or projects, including the development of a SESA and ESMF. The AF will finance the finalization of the SESA and the ESMF, including the final round of public disclosure and consultations of these documents. It also includes the development of a benefits sharing plan, which encompasses all benefits (non-monetary and monetary) associated with REDD+ implementation, and a feedback and grievance redress mechanism. While the principal focus of the activities in this component is on East Kalimantan, it also includes additional analysis and technical design work to identify opportunities to leverage climate finance in other parts of the country (notably through the development of a program of the BioCF ISFL, including safeguard instruments as necessary).

Component 3: Reference Emission Levels and Measurement, Reporting and Verification
(Additional Funding: \$1,640,000)

10. This component supports activities that focus on meeting methodological and technical requirements to receive results-based payments from the FCPF Carbon Fund (and other sources of results-based climate finance that have similar requirements, such as BioCF ISFL). The focus of these activities is initially on East Kalimantan, but will be extended to the area chosen for BioCF ISFL implementation, to allow the province to receive carbon payments that are achieved through the implementation of a comprehensive REDD+ program. This includes the development of a provincial reference level (baseline emission), a forest monitoring approach that supports transparent, repeated and quality measurements of emissions and their reduction across the province (including continuing the establishment of permanent sample plots for ground-based forest carbon monitoring), and a respective data management system, as well as a number of technical assessments that inform the management of risks associated with displacement of emission (leakage) and reversal (non-permanence) of emission reduction. The focus of the work is on implementation and capacity building to allow stakeholders to perform tasks that are critical for on-the-ground operational tasks, notably on use of data and information about forests and emissions to drive interventions and to measure and report their results. The activities are to be performed in a manner that is consistent with the respective framework developed at the national level (supported by the activities in Component 1).

Component 4: Regional Data Collection and Capacity Building (Additional Funding: \$1,400,000)

11. This component is principally for program management and supports the staff and operational costs associated with a Project Management Unit. This unit would include several full- and part-time technical staff to manage program preparation, prepare and supervise consultant contracts to be funded by this grant, program monitoring and evaluation, reporting, procurement, financial management, and the drafting of documents, notably the Emission Reduction Program Documents for the FCPF Carbon Fund. The PMU coordinates the activities to be performed by both FORDIA and DG-CC and among stakeholders at the national and sub-national level. This will also include the continuing provision of support to REDD+ readiness preparation at sub-national level, including capacity building in selected areas and development of socioeconomic and biophysical studies to support baseline work.

4. Project Location and salient physical characteristics relevant to the safeguard analysis:

12. Consistent with the original FCPF Readiness Grant, the AF will not finance any physical activities or impacts on the ground. The FCPF support is limited to analytical studies, capacity building, and consultation processes at the national and sub-national levels. However, the AF will finance the design of a detailed investment and implementation planning for the proposed REDD+ program in East Kalimantan and for the proposed BioCF ISFL (provincial jurisdiction not yet defined).

13. The SESA and EMSF developed will be designed to be applicable at the national level. However, the first place the ESMF will likely be applied and tested is in the proposed FCPF REDD+ program for East Kalimantan. East Kalimantan has many physical and social attributes that are representative of Indonesian rural areas. With an area of approximately 12.9 million hectares, East Kalimantan is Indonesia's second largest province and contains large amounts of rural areas in remote and poorly accessible areas. East Kalimantan's population of 2.8 million people includes indigenous Dayak and Kutai peoples, as well as Javanese, Chinese, Banjarese, Bugis, and Malay people. Communities in the rural areas often practice traditional lifestyles, governed by customary law and customs. Small-scale cultivation of various agricultural products is widespread and tribal groups in the province's interior mostly practice swidden agriculture. Widespread and rapid deforestation (frequently associated with land and forest fires) is a serious concern in East Kalimantan with many pressures for land including oil palm, plantation forestry, and coal mining. Around 6.3% of East Kalimantan's population was classified as poor in 2014. The distribution of poverty is skewed towards rural areas where 10.1% of the population was classified as poor, compared to 4% of the urban population.

5. Environmental and Social Safeguards Specialists on the Team:

George Henry Stirrett (Environment Safeguards)
Tom Walton (Environment Safeguards)
Fajar Djati (Social Safeguards)

6. Safeguard Policies Triggered *(please explain why)*

14. Two new safeguard policies have been triggered for the AF Grant: Pest Management (OP 4.09) and Physical Cultural Resources (OP 4.11). During the original grant, these safeguard policies were recorded as “to be determined”.

15. In order to identify the potential negative consequences from the implementation of the FCPF and other potential REDD+ programs, the GoI has been applying the Strategic Environmental and Social Assessment (SESA). The FCPF supports completion of a SESA to integrate key environmental and social considerations into REDD+ Readiness by combining analytical and participatory approaches. The SESA ensures (i) integration of social and environmental considerations into the REDD+ Readiness process, in particular into the REDD+ strategy; (ii) stakeholder participation in identifying and prioritizing key issues; (iii) assessment of policy, institutional and capacity gaps to manage these priorities and recommendations; and (iv) disclosure of findings in the REDD Country’s progress reports on Readiness preparation.

16. With the support of the original FCPF Readiness Grant, the GoI has already completed significant analytical work and consultations required as background for the finalization of the SESA. The FCPF SESA process has also contributed to the development of other REDD+ related safeguard instruments for management of environmental and social risks (e.g., SIS-REDD+²; PRISAI³). Furthermore, in the context of Indonesia, the FCPF Readiness Grant represents a small portion of REDD+ safeguards financing compared to the overall Indonesian REDD+ strategic, planning, and safeguards activities (e.g., those supported by the REDD+ Task Force, STRANAS, RAN GRK, REDD+, Agency, and sub-national efforts⁴). While clearly these efforts represent an immense amount of work toward strengthening systems and capacity for safeguard management, there is not yet a comprehensive stocktaking summary to fulfill the requirements of a SESA Final Report, nor be utilized for input into the Environmental and Social Management Framework (ESMF) and broader ER Program development.

17. For the finalization of the Final SESA Report, a consultant will collect all possible Indonesian REDD+ safeguard-related analytical and consultative materials that have been completed since 2011 (regardless of financing source). By the end of the original grant closing date (November 2016) the consultant will produce an electronic hard drive containing all collected safeguard materials. This electronic resource will then be usable for informing the preparation of the ER-PD and for refining the ESMF by providing the materials to develop a comprehensive typology of potential REDD+ activities and the associated safeguard issues. Having all of the safeguard materials will also allow for the identification of gaps in the analysis or consultations already completed. The AF Grant will be utilized to hire senior consultants to

² Safeguards Information System (SIS) –REDD+ is a web-based system that will serve as a basis for reporting to the UNFCCC on how safeguards would be addressed and respected at the national level.

³ The Principles, Criteria, and Indicators for REDD+ Safeguards (PRISAI) consists of ten environmental and social safeguard principles that were developed following a comprehensive assessment of national policies/laws/regulations and institutional settings. PRISAI was trialed in the field in three provinces.

⁴ REDD+ Activities have a long history in Indonesia (since 2008) and have received a large amount of external financing beyond the FCPF Readiness Grant. During the lifespans of the REDD+ Task Force and REDD+ Agency, and during the development of National REDD+ Strategy (STRANAS) and National Action Plan to Reduce Greenhouse Gas Emissions (RAN GRK) many consultations and analysis have been completed regarding environmental and social safeguard risks. Furthermore, Strategy and Action Plans of REDD+ at the Provincial Level (SRAP) have been completed for 11 priority provinces, also involving significant analysis and consultation.

analyze and synthesize this library of safeguard and REDD+ documents, subsequently writing the Final SESA Report in early 2017. The Final SESA Report will undergo a final round of public disclosure and consultations (along with the final draft ESMF).

18. The ESMF will serve as a framework for addressing possible risks, issues and impacts that may occur when implementing ER programs and/or policies in accordance with the country's national REDD+ strategy. Considering that the Ministry of Environment and Forestry (MoEF) is currently implementing an ESMF for a World Bank supported project with closely related activities (Forest Investment Program (FIP)), the GOI and World Bank project teams agreed to modify the FIP ESMF to encompass a broader range of activities expected to be included in a FCPF emissions reduction program. A complete ESMF draft will be ready prior to the closing of the original grant and finalized by April 2017 following consultations. It is also anticipated that the FCPF ESMF will be utilized in a potential BioCF ISFL operation (to be confirmed following the BioCF ISFL concept stage proposal).

	YES	NO
<p>Environmental Assessment (OP/BP 4.01)</p> <p>FCPF and other REDD+ programs aim to reduce emissions from deforestation and forest degradation and intend to have positive impacts on both the environment and communities in project areas. However, there is the potential for adverse impacts, depending on the way these objectives are achieved (e.g., potential replacement of native forests or natural habitats with plantations might have serious impacts on biodiversity).</p> <p>An environmental assessment (in this case the SESA) is required for the operation, as the grant will support REDD+ readiness and program development that will influence activities to be implemented downstream, in possible subsequent operations. The strength of the SESA for REDD+ is that it combines analytical work and participatory consultations to inform the preparation of the FCPF and other REDD+ programs. In addition to the SESA, as mentioned above, the GoI is also preparing an Environmental and Social Management Framework (ESMF) to establish the modalities and procedures to address potential negative environmental and social impacts from the implementation of a FCPF and other REDD+ programs, as well as associated mitigation measures.</p> <p>During AF implementation, the World Bank Task Team will provide to the Regional Safeguard Secretariat (RSS) the Terms of Reference for the additional work on the SESA and ESMF, as well as seek review and comments from the RSS on the draft SESA, ESMF, and other safeguard related reports, including results-based payment pilots.</p>	X	

	YES	NO
<p>Natural Habitats (OP/BP 4.04)</p> <p>Overall, FCPF and other REDD+ program activities are expected to have significant positive impacts on natural habitats, as the country puts in place an effective strategy to reduce loss and further fragmentation of natural forests. Natural habitats will be assessed during preparation and consultation of the SESA. The ESMF would include provisions to assess, avoid or mitigate potential impacts on natural habitats (including non-forested natural habitats).</p>	X	
<p>Forests (OP/BP 4.36)</p> <p>Overall, FCPF and other REDD+ program activities are expected to have significant positive impacts on forests in the country, in that the main goal of the program is to reduce deforestation and forest degradation, while contributing to the well-being of forest-dependent communities. Any critical issues pertaining to forest and potential impacts from future FCPF and REDD+ program implementation through future emission reduction programs will be assessed through SESA, with potential negative impacts mitigated and managed through application of the ESMF.</p> <p>If plantations are financed by emission reduction programs, such projects will be sited on unforested areas or lands already converted (Excluding any lands that have been converted in anticipation of the project).</p>	X	
<p>Pest Management (OP 4.09)</p> <p>It is anticipated that some FCPF and other REDD+ programs may include some activities where pest management is relevant. Some pest management applications may occur as part of forest plantation management, community agroforestry or private sector sustainability activities. Under such circumstances, proper pesticide acquisition, handling and disposal procedures will be followed as proposed in the ESMF. The SESA will assess linkages between OP 4.09 objectives and broader REDD activities.</p>	X	

<p>Physical Cultural Resources (OP/BP 4.11)</p> <p>FCPF and other REDD+ program activities will operate in forest areas where local communities commonly assign particular cultural values to certain locations. The ESMF will provide guidance on how to manage chance finds or impacts on movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance in accordance with this OP/BP and GOI regulations.</p>	X	
<p>Indigenous Peoples (OP/BP 4.10)</p> <p>Future REDD+ investments under FCPF CF will likely be implemented in areas inhabited by Indigenous Peoples (<i>Masyarakat Hukum Adat</i>) and co-existence between <i>Adat</i> and local communities (i.e. in-migrants, other forest dwellers, etc.). Based on the World Bank's indicative IP mapping conducted in 2015, East Kalimantan hosts around 105 isolated customary communities (KAT), a subset of IPs groups (<i>Masyarakat Hukum Adat</i> / MHA) and numerous other forest-dependent communities who may not fall under IPs category, including in-migrants⁶. REDD+ investments may adversely impact the lands and access to natural resources vital to the sustenance of their livelihoods and cultural and social identities if not properly consulted or assessments and mitigation measures do not take such impacts into account. Therefore, inclusion of IPLCs is central in the design of REDD+ in Indonesia and further assessments and consultations (under the remaining grant and AF) will seek further understanding about the approach to ensure participation and inclusion of IPLCs particularly in the context of East Kalimantan. A series of public consultations on the ER national strategy under the original grant has been conducted in the space of five years starting in 2011 involving representatives from Indigenous Peoples (<i>Masyarakat Hukum Adat</i>/MHA) and other forest dependent communities. At the national level, these consultations were facilitated by the National Forestry Council (<i>Dewan Kehutanan Nasional</i>) and their Sub-national councils (<i>Dewan Kehutanan Daerah</i>) for regional consultations. Several major concerns emerging</p>	X	

⁵ The mapping is based on identification of Isolated Customary Communities (*Komunitas Adat Terpencil*) by the Ministry of Social Affairs to the year of 2010.

⁶ The previous government sponsored transmigration program, which was at its height during 1970s – 1990s, contributed to large movements of approximately 3.6 million people to the outer islands e.g. Kalimantan, Sulawesi, Moluccas, Papua, and the Nusa Tenggara Provinces (World Bank IEG 2012). This program had the objectives to improve living standards, to promote regional development, and to balance population distribution where settlers received plots of land of two to five hectares to be developed for agricultural purposes.

from these consultations with regards to REDD+ include:

- a. Moving beyond the rhetoric for inclusion of IPLCs, stronger focus needs to be placed on developing enabling environments and concrete measures to ensure that IPLCs can effectively participate in decision making and policy processes;
- b. Current Indonesian laws and regulations lack safeguard measures to protect the fundamental IPs' rights for self-identification and self-determination.⁷ IPs representatives also requested that FCPF CF comply with the World Bank's safeguard policies and applicable international obligations as enshrined in the Charter establishing FCPF (Principle 3.1.d)⁸;
- c. The lack of clarity over measures to clarify and protect IPLCs' tenurial rights in the current ER design may breed conflicts particularly if the investments lead to access restrictions or elevated land claims;
- d. ER payment schemes need to be pragmatic by balancing distribution of in-kind and cash benefits and tailored to current community needs;
- e. Mechanisms to access REDD+ benefits for IPLCs need to be simple and inclusive to avoid/mitigate elite capture;
- f. Local wisdoms need to be recognized and mainstreamed;
- g. Trust issues particularly IPs and the governments due to past legacy need to be addressed;
- h. Proper oversight of REDD+ implementation is critical to ensure that IPLCs are not adversely affected and can meaningfully participate in ER initiatives.

To address some of the concerns above, in 2014, the MoEF in collaboration the Regional Forestry Council of Maluku⁹ developed a guideline/toolkit to facilitate community consultations and

⁷ Current Indonesian regulations pertaining to IPs are based on conditional recognition and Indonesia is not a signatory of ILO 169.

⁸ In a letter submitted by AMAN (Indigenous Peoples Alliance of the Archipelago) dated May 15th, 2009, some criticisms with regards to lack of measures to ensure IPs participation, government commitment to further consultations and explicit reference to international obligations on the draft Readiness Plan (R-Plan) were highlighted.

⁹ The council represents the Maluku, West-Papua and East Nusa Tenggara Regions and consist of government officials, academics, NGOs and community representatives from the three regions.

<p>participation for REDD+ activities. This guideline is yet to be tested for its effectiveness. In addition, since FCPF CF will be focused in East Kalimantan, specific guidelines and/or other measures to promote IPLCs' participation in ER design and implementation are yet to be established. Local engagement with IPLCs in East Kalimantan will be led by the Regional Council of Climate Change (<i>Dewan Daerah Perubahan Iklim</i>)¹⁰ in collaboration with various NGOs and CSOs to support ongoing processes for strengthening the inclusion of IPs and forest dependent communities.</p> <p>An ESMF is currently being developed and will incorporate mechanisms for Free, Prior, and Informed Consultations and relevant frameworks including Indigenous Peoples Planning Framework (IPPF) and Community Participation Planning Framework (CPPF). The ESMF will utilize information from the previous SESA analytical and consultative process and on-going studies commissioned by MoEF in East Kalimantan.</p>		
<p>Involuntary Resettlement (OP/BP 4.12)</p> <p>The ER design should avoid promoting involuntary resettlement and/or livelihood displacement to the extent feasible and fosters forest management partnership with forest-dependent communities to improve their livelihoods, support the sustainability of ER investments, and avoid land-related conflicts. However, since ER strategic options for FCPF CF are not yet determined and greater clarity on the types of investments is yet to be sought as the ERPD is being finalized, the ESMF acknowledges the possibilities for ER activities to cause and/or induce involuntary resettlement and/or livelihood displacement to a varying degree. It is contemplated that there will be some forms of land acquisition and/or involuntary access restrictions for forest dependent communities to land and/or natural resources for zoning and/or conservation purposes. Given this backdrop, a Resettlement Policy Framework will be established in the ESMF, together with a list of ineligible activities and screening criteria.</p> <p>Issues related to land acquisition and/or access restrictions in potential future REDD+ pilot areas will be identified in the SESA, and the Process Framework for Access Restriction will be established as part of the ESMF.</p>		

¹⁰ DDPI is a government taskforce established by the Provincial Government of East Kalimantan and is responsible as an advisory body for climate-change related initiatives in the region.

<p>A benefit sharing mechanism at the national and sub-national levels is still currently being developed and to support this process, a study on benefit sharing in East Kalimantan is being commissioned by MoEF. The results of this study are expected to inform the development of the benefit-sharing framework for forest-dependent communities, which will be further incorporated in the ESMF. In the event that Voluntary Land Donation (VLD) is required for project activities, the ESMF provides a guideline for the handling of VLD, including the processes for conducting consultations and obtaining consent from landowners and heirs, legal documentation and processing, including for provisions of compensations for lost-assets to protect landowners' power of choice.</p>		
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II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

19. Given the objective of the project and its focus on reducing challenges to REDD+ implementation at the sub-national level and building capacity in REDD, it is expected that most activities will not create a large scale, significant and/or irreversible negative environment and social impacts. Where unintended negative consequences may arise, the client will implement safeguards instruments in accordance with the WB Operations Policies and pursuant to Indonesia's laws and regulations.

20. Consistent with the original FCPF Readiness Grant, the AF will not include any activities on the ground. However, the AF will provide resources to support the emission reduction program design in East-Kalimantan for the FCPF Carbon Fund, with possible extension to the area chosen for BioCF ISLF implementation. The Government of Indonesia had its revised Emission Reductions Program Idea Note (ER-PIN) approved and included into the carbon fund pipeline in June 2016. It broadly outlines potential ER activities to address underlying drivers of deforestation: (1) institutional strengthening of Forest Management Units (FMUs) and other sub-national institutions particularly targeting participatory planning, spatial planning, community outreach and business plan development; (2) private sector engagement and licensing processes (particularly mining, estate crops and logging concessions) focusing on sustainability certification schemes, adoption of Reduced Impact Logging (RIL) practices, protection of High Conservation Value (HCV) areas within concessions, and swapping of HCV land for degraded lands within existing concessions; (3) community empowerment such as community forestry schemes, and non-timber forest product harvesting, partnership between local communities and the private sector, CSR programs, and capacity building activities to foster participation; (4) Peat land rehabilitation and fire prevention through support for institutional arrangements for fire monitoring and control, development of infrastructure and facilities for fire control,

establishment of community firefighter groups and capacity building for non-burning land clearing methods.

21. There is a high probability that project activities take place in areas where these communities reside or where their livelihoods are derived. In the context of on-going reforms particularly with regards to land and resource rights¹¹, some potential risks may include among others: inability of these communities to participate due to lack of information, contestation of customary land rights and other forms of land claims, loss of access to livelihoods, threats to food security, and increased tension between indigenous groups and other forest dependent communities as well as with the government due to (perceived) inequitable benefit sharing. On a positive note, the proposed ER initiatives may strategically serve as a platform for policy dialogues, multi-stakeholder coordination and harmonization of policies and programs to achieve sustainable development outcomes and climate change mitigation. The nature and scale of impacts (both positive and negative) of ER activities and associated policies will largely depend on the recognition of forest-dependent communities' rights over land and natural resources, their level of participation and the effectiveness of safeguards to be applied.

22. Hence, main safeguard issues that will require priority attention during the development of the SESA Final Report and ESMF are:

- Land and asset acquisition;
- Restriction of the communities' current access to the forest resources;
- Indigenous people presence;
- High value conservation area;
- Protected plant and wildlife species preservation and utilization;
- The use of pesticides;
- Historical objects and other physical resources.

2. Describe any potential indirect and/or long-term impacts due to anticipated future activities in the project area:

23. The project is anticipated to have indirect and long-term positive impacts by contributing to the enabling conditions, institutional arrangements and capacities for effective implementation of REDD+ schemes. If the FCPF Readiness Grant is successful in contributing to the realization of these conditions, it is possible that REDD+ schemes could multiply and Indonesia would have access to much more international financing for preserving its forest cover and integrity. Considering that Indonesia currently one of the global leaders in deforestation and an increasing contributor to global greenhouse gas emissions, these long-term impacts are globally significant with very important co-benefits, in terms of conservation of biodiversity, regulation of water quality and availability, preservation of adat and local communities' cultural heritage, and provision of local livelihood safety nets.

¹¹ MK35/2013 included the decision that the provision in the Forestry Law declaring customary forests as part of the domain of the state is unconstitutional, recognizing the legitimacy of adat communities claims to land.

24. As mentioned earlier, the proposed ER initiatives may strategically serve as a platform for policy dialogues, multi-stakeholder coordination and harmonization of policies and programs to achieve recognition of forest-dependent communities' rights over land and natural resources. If greater land security is achieved through partly through these activities, there could be substantial long-term livelihood and development benefits.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts:

Not Applicable

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described:

25. The Directorate General of Climate Change (DG-CC) of MoEF will take over the responsibility for implementation of safeguards from Directorate General for Research and Development (FORDA) also of MoEF. This is consistent with both departments' institutional mandates following the ministerial reorganization in 2014. DG-CC will have responsibility for completing the SESA Final Report, drafting and finalizing the ESMF, and continuing the operation of the SIS-REDD+. The PRISAI (developed under the former REDD Agency) is no longer utilized as a separate safeguard instrument under DG-CC, but some of its elements are expected to be incorporated in other safeguard instruments (e.g. FCPF ESMF).

26. The MoEF manages a significant budget and has experience in managing grants from international donors and therefore has reasonably high overall capacity. DG-CC and FORDIA are currently staffed with a small team of trained professionals that have substantial experience working on REDD+ safeguard issues. The MoEF has developed the Safeguard Information System (SIS) for REDD+ in Indonesia as an instrument for collecting, processing, analyzing and presenting data and information that is required for the implementation of the Seven Cancun Safeguard Frameworks. However, MoEF's tools and capacity to ensure consistency with the World Bank Safeguard Policies requires strengthening. To assist in improving capacity, MoEF plans to establish a Project Management Unit (PMU) to facilitate the implementation of the FCPF REDD+ Readiness Grant (including through the proposed AF). The PMU will include both an environmental and social expert with responsibilities for overall safeguard oversight.

27. Furthermore, training workshops will be organized for key actors involved in the implementation of social and environmental Safeguards Policies, ensuring representation of gender and vulnerable groups.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people:

28. Stakeholders include those affected directly or indirectly by the project, including provincial and district government and national government agencies that are relevant to the

project, local communities (including women and marginalized people, forest farmer groups) and *adat* communities, academicians, NGOs/CSOs, private sector, research organization.

29. During the Readiness Phase, FORDA worked closely with the National Forestry Council (DKN) to conduct public consultations for the SESA. However, as with the overall safeguard supervision, DG-CC will be leading the consultations and outreach activities consistent with their new institutional responsibilities and mandate. This will include consultation on the final drafts of the SESA and the ESMF, as well as the development of the detailed investment and implementation planning of the proposed REDD+ program in East Kalimantan and for the proposed BioCF ISFL program. The final drafts of the SESA and ESMF, and any potential instruments for the proposed REDD+ program in East Kalimantan and BioCF ISFL program, will be subject to public disclosure.

B. Disclosure Requirements Date	
Environmental Assessment/Audit/Management Plan/Other:	
Was the document disclosed <i>prior to appraisal</i> ?	N/A ¹²
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
Resettlement Action Plan/Framework/Policy Process:	
Was the document disclosed <i>prior to appraisal</i> ?	N/A
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	
Indigenous Peoples Plan/Planning Framework:	
Was the document disclosed <i>prior to appraisal</i> ?	N/A
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	
Pest Management Plan:	
Was the document disclosed <i>prior to appraisal</i> ?	N/A
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	
* If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	

¹² The Environmental Assessment and other safeguard instruments will be developed, consulted, and disclosed during the implementation of this Additional Funding. All prepared safeguard instruments will be disclosed prior to the appraisal of the FCPF Emissions-Reduction Program.

If in-country disclosure of any of the above documents is not expected, please explain why:

In-country disclosure is expected during the implementation of the additional financing.

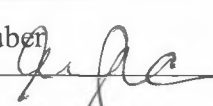
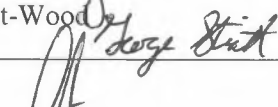

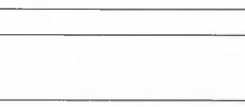
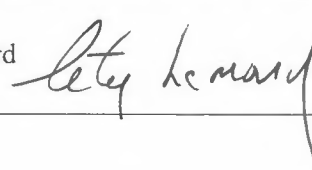
C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP 4.01 - Environment Assessment			
Does the project require a stand-alone EA (including EMP) report?	Yes []	No []	N/A [X]
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?			
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?			
OP/BP 4.04 - Natural Habitats			
Would the project result in any significant conversion or degradation of critical natural habitats?	Yes []	No []	N/A [X]
If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?			
OP 4.09 - Pest Management			
Does the EA adequately address the pest management issues?	Yes []	No []	N/A [X]
Is a separate PMP required?	Yes []	No []	N/A [X]
If yes, has the PMP been reviewed and approved by a safeguards specialist or Sector Manager? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?			
OP/BP 4.11 – Physical Cultural Resources			
Does the EA include adequate measures related to cultural property?	Yes []	No []	N/A [X]
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on physical cultural resources?			
OP/BP 4.10 - Indigenous Peoples			
Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?	Yes []	No []	N/A [X]
If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?			
If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit?			

OP/BP 4.12 - Involuntary Resettlement			
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes []	No []	N/A [X]
If yes, then did the Regional unit responsible for safeguards or Sector Manager review and approve the plan/policy framework/process framework?			
OP/BP 4.36 – Forests			
Has the sector-wide analysis of policy and institutional issues and constraints been carried out?	Yes []	No []	N/A [X]
Does the project design include satisfactory measures to overcome these constraints?			
Does the project finance commercial harvesting, and if so, does it include provisions for certification system?			
OP/BP 4.37 - Safety of Dams			
Have dam safety plans been prepared?	Yes []	No []	N/A [X]
Have the TORs as well as composition for the independent Panel of Experts (POE) been reviewed and approved by the Bank?			
Has an Emergency Preparedness Plan (EPP) been prepared and arrangements been made for public awareness and training?			
OP/BP 7.50 - Projects on International Waterways			
Have the other riparians been notified of the project?	Yes []	No []	N/A [X]
If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?			
What are the reasons for the exception? Please explain:			
Has the RVP approved such an exception?			
OP/BP 7.60 - Projects in Disputed Areas			
Has the memo conveying all pertinent information on the international aspects of the project, including the procedures to be followed, and the recommendations for dealing with the issue, been prepared	Yes []	No []	N/A [X]
Does the PAD/MOP include the standard disclaimer referred to in the OP?			
The World Bank Policy on Disclosure of Information			
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes []	No []	N/A [X]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?			

All Safeguard Policies		
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [X]	No [] N/A []
Have costs related to safeguard policy measures been included in the project cost?	Yes, project costs include preparation and consultation of safeguard documents.	
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Monitoring and Evaluation systems for FCPF ER-Program will be developed during implementation.	
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Implementation arrangements will be agreed with the borrower during implementation and before FCPF ER-Program appraisal.	

D. Approvals

<i>Signed and submitted by:</i>	<i>Name</i>	<i>Date</i>
Task Team Leader:	Ann Jeannette Glauber 	10/11/2016
Environmental Specialist:	George Henry Stirrett-Wood 	10/11/2016
Social Development Specialist	Fajar Argo Djati 	10/11/2016
Additional Environmental and/or Social Development Specialist(s):	Tom Walton 	10/11/2016
<i>Approved by:</i>		
Regional Safeguards Coordinator:	Peter Leonard 	23/02/16
Comments:		
Sector Manager:	Iain Shuker	
Comments:		