



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 08-Jul-2021 | Report No: PIDC230867



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P174902		Moderate	Indonesia Inclusive Livelihoods for Poor Rural Communities in Eastern Indonesia Project
Region	Country	Date PID Prepared	Estimated Date of Approval
EAST ASIA AND PACIFIC	Indonesia	08-Jul-2021	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	BaKTI	BaKTI	

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PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	2.73
Total Financing	2.73
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	2.73
Japan Social Development Fund	2.73

B. Introduction and Context

Country Context

Indonesia has made remarkable progress in poverty reduction, although poverty rates of 12.6% in rural areas are almost double those in urban areas (6.56%). Close to sixty percent of Indonesia’s poor – about one hundred and sixty million people – lived in rural areas in 2019. While the poverty rate in rural areas declined from 20 to 13 percent between 2007 and 2018, this trend has since slowed. Gaps also persist across urban and rural areas on key development indicators, such as access to schools, health services, clean water,



and food security (WB 2018). Poverty stagnation is affecting several regions – many of which are in Eastern Indonesia. For example, Nusa Tenggara and Maluku still witness some of the highest rates of poverty – 42.4% and 37% respectively – compared to 27% in Java-Bali (WB 2020a). In over 90 percent of villages within lagging districts across Eastern Indonesia, households primarily depend on food crops/ livestock and have some of the poorest access to basic services, such as improved sanitation, drinking water and fuel sources. Projected impacts from the COVID-19 pandemic indicate sharp declines in Indonesia’s economic growth, with severe impacts for poor and marginalized communities (WB 2020b).

Many of Indonesia’s 13,232 lagging villages are in Eastern Indonesia, where communities are more reliant on natural resource-based livelihoods and are more vulnerable to climate shocks. Communities in Eastern Indonesia are, on average, more remote, are less economically integrated with urban centers, and have fewer opportunities for alternative income generating opportunities than in the western part of Indonesia. Consequently, over half of all rural labor workers work in agriculture, which remains a key source of local livelihoods. These communities face greater vulnerability to the risks of climate change, including prolonged droughts, temperature changes, and rainfall variability, but have weak adaptive capacity to climate induced livelihood shocks (WB 2020a). For example, inland villages in parts of Nusa Tenggara Timur and Barat, characterized by grassland and forest ecosystems, have some of the highest levels of poverty and malnutrition, high levels of dependence on food crops and livestock, and are vulnerable to fires, landslides, and floods (WB forthcoming). With one third of labor force dependent on natural resources and one fifth of Indonesia’s poor living in coastal and forest regions (WB 2015), reducing poverty requires improving natural resource dependent livelihoods.

Traditional approaches to livelihoods development in Indonesia have not proven effective in poorly integrated remote and lagging areas. Livelihoods interventions have commonly focused on improving access to savings and credit, subsidized lending, business training for entrepreneurs, and support to small scale businesses cooperatives – especially agricultural. They have overwhelmingly targeted households and individuals (WB 2020c). However, multiple project evaluations and lessons learned point to the challenges and failures which face demand-driven models in areas with exogenous constraints to market access, productivity, and building human capital, including limited sustainability and scalability, and potentially negative impacts on local food systems and resilience to economic or environmental shocks. Lessons from past attempts to improve livelihoods in lagging areas affirm the need for tailored strategies which account for constrained access to services and economic linkages. Interventions tailored to local opportunities are necessary to improve resilience to hazards from a changing climate and address extreme poverty. Improving alternative and sustainable livelihoods for youth and women is of concern to address youth unemployment and underemployment and women’s higher dependency on agricultural work (WB 2020a).

Private sector investment in Eastern Indonesia is constrained by limited productive potential, poor infrastructure and market access, and thin consumer markets. The cost of doing business in rural areas in Indonesia is considerably higher than urban areas due to infrastructure bottlenecks, regulatory uncertainty, and low levels of financial inclusion. These constraining factors are exacerbated in rural lagging areas and hinder private-sector driven development (WB 2015). Since lagging regions are more reliant on subsistence and customary livelihoods, a different approach to ensuring stable and resilient livelihoods is required



(Anderson 2019). In addition, strategies to reduce poverty should address natural resource management and access to basic services (WB 2015).

Lessons learned, including from National Program for Community Empowerment (PNPM) Agriculture in Eastern Indonesia and recent IFAD programming, show that community-driven improvements to local food systems may offer opportunities to improve economic resilience and advance well-being. Food insecurity is an acute problem in rural Eastern Indonesia, driven by climate dependency and limited economic opportunities, calling for improvement of local food systems. The 2020 World Bank’s Rural Poverty Study found that food insecurity is pronounced among marginalized groups including female-headed households, the elderly, young school dropouts, and individuals with disabilities. One in five rural household does not have enough food for all members (WB 2020a). Poor nutritional status is more severe in rural areas, where access to social and economic infrastructure is lower. While 37% of children under five in Indonesia are stunted, the rate is above 40% in East Nusa Tenggara and Maluku (IFAD 2019). Traditional livelihoods interventions have focused more on commodity value-chains rather than addressing localized food systems which function in only partial integration with national and global commodity markets, and are deeply rooted in environmental management capabilities. In addition, emerging evidence from multiple programs has indicated these interventions have had negative impacts on local coping strategies – especially when supply chains are disrupted (Anderson 2019).

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Sectoral and Institutional Context

The GoI and the World Bank highlight the importance of improved livelihoods as key pillars of an inclusive national development strategy (WB 2015; RPJMN 2015). Improved market access, risk mitigation, disaster management, and logistics have the potential of enhancing agriculture incomes and improving profitability. However, in geographically remote areas, innovative approaches to livelihoods can focus more on building local economies and producing for local consumption and food security targets. These interventions can also help to improve agricultural productivity and expand livelihood options for communities in ecologically fragile areas (WB 2020a), while addressing communication and information divides can help bridge skill and knowledge gaps.

A central part of the government’s response to combat rural poverty has involved direct fiscal transfers to villages throughout Indonesia to support local investments in infrastructure and services. In 2014 the Government of Indonesia (GoI) passed the Village Law (6/ 2014), which substantially increased financial resources for local development and community empowerment. Between 2014 and 2019, village fund (*Dana Desa*) increased from IDR 26.7 trillion (\$1.9 billion) to IDR 123.2 trillion (\$8.6 billion). On average, a village now receives IDR 1.6 billion of transfers every year (WB, 2020). Increased fiscal transfers offer new opportunities for villages to address gaps in rural infrastructure, basic service delivery, job creation, economic empowerment, rural connectivity, and sustainable resource management, thereby contributing to poverty reduction and economic growth.



Village governments manage and administer village fund, following a process of community consultation and planning. Between January and March, the heads of village hamlets (*dusun*) in a village collect aspirations from communities on village development. A village level planning process, between April and June, collate and prioritize lists from the hamlets. Between July and September, village government develop a Village Plan (RKPDes), present it to community representatives during the village deliberation meeting (MusDes), and vote on it. Based on the approved RKPDes, the village government develops the village budget (APBDes), and submit it to the district government for review and approval between October and December. Upon approval, villages receive the first tranche of village fund between January and June of the following year. In high performing villages, the fund is transferred in two tranches (60:40), and other villages in 3 tranches (40:40:20). Villages must submit realization reports in order to receive follow-up tranches, and a final utilization report in order to receive their next allocation of village fund.

In areas where livelihoods opportunities are constrained, the Village Law program takes on a higher degree of strategic importance for village livelihoods. Investments of the Village Law program in public infrastructure have traditionally been a complement to other basic services and economic development programs. The village fund can help to unlock investments to improve livelihoods in these underserved areas, including through provision of transportation, infrastructure, irrigation, water, energy, as well as inputs and common goods for agriculture and fisheries. Additionally, the village fund is well-suited to provide employment guarantees through public work programs, generating a supplementary income for households during lean seasons or in crisis situations.

In 2018, the Government of Indonesia introduced the Village Cash for Work Policy (*Padat Karya Tunai*, hereafter PKT) to address unemployment and under-employment in rural areas. Following strong support from the president, the policy mandates that villages allocate 30% of their village fund toward cash-for-work interventions – 50% of which must be used for wages. Between 2015-2020, PKT succeeded in developing 88,058,907 working people days and absorbed a workforce of 10,721,761 people with a total of 353,223 activities (Iskandar, 2020). During the pandemic, the government has continued to prioritize PKT to partially compensate for the loss of income.

There is room for improvement in how citizens – especially poor and marginalized groups – participate in contextually appropriate livelihoods development planning. Evidence indicates that strategic investments through the village fund in economic development, local food systems, sustainable resource management, human capital development, and job creation are limited, and not consistently pro-poor. For example, investments utilizing village fund typically do not address the information and technical gaps that exist for the most vulnerable households, often dependent on subsistence agriculture. Indonesia’s long experience with community driven development (CDD) projects, including in Eastern Indonesia, points to the potential to improve livelihoods through localized analysis of productive systems, social institutions, and linkages.

Well-resourced village development in Indonesia presents an opportunity to pilot innovative strategies for inclusive local economic development in ecologically fragile lagging areas. Lessons from past livelihoods programs in lagging areas affirm the need for tailored strategies which can simultaneously address the challenges of poverty and natural resource exploitation, in the context of constrained access to services and



economic linkages. Evidence from a range of programs point to market-driven incentives often being discordant with the theory of change of livelihoods projects. When the governance and market institutions are weak, interventions dependent on effective governance and competitive market institutions flounder. In addition, programs targeting entrepreneurs and small businesses can deepen the cash dependency of some households and the broader village, but do not address the impacts on local food systems the poorest households rely upon (Anderson 2019). Innovations to adapt CDD methodologies to undertake a more holistic approach to analysis of the village economy, and more participatory and inclusive mapping and planning processes could address the linked vulnerabilities of poverty and environmental fragility from the bottom-up.

Analysis has highlighted the need for further investigation and pilot testing in lagging areas to understand the opportunities to sustainably strengthen natural resource dependent rural livelihoods in food-insecure communities (WB 2020d). Experimentation is required to identify options to improve natural resource-based livelihoods, while relieving the pressure created by forest encroachment and coastal degradation. In particular, analysis has highlighted the need for innovations in development of local food systems resilient to climatic and economic shocks and support to sustainable local livelihoods from local institutions – including village and district governments. Lessons learned about the sustainability challenges for projects in remote areas demonstrate the importance of centering on local context – such as accessibility of markets, availability of resources, real economic opportunities (even if relatively small and highly localized) and the needs and customs of the local community. This proposed project will pilot test a customized approach to improving food security in lagging and poor regions, through innovative, community-driven approaches to mapping, planning and implementing local livelihoods initiatives. It will develop a more compatible and sustainable model for community-driven livelihoods support which leverages the resources and opportunities available to villages, including local resources, technical support, and the Village Law.

Lessons learned from this project can feed into the World Bank’s relevant support to the GoI to improve village development and sustainable landscape management. The Institutional Strengthening for Improved Village Service Delivery Project (P165543, hereafter, P3PD), a \$300 million operation approved in 2019, aims to enhance institutional capacity for improved quality of village spending. However, P3PD does not have the scope to experiment or innovate to address the specific issues related to livelihoods and food security facing the most vulnerable lagging areas. In addition, the proposed project will work closely with the different sector teams to contribute to on-going operations such as Oceans for Prosperity (P173391, pipeline), and the Indonesia Integrated Landscapes PASA (P156489, approved in 2016).

The World Bank has worked in close coordination with development partners to support the GoI to improve the implementation of the Village Law. DFAT and USAID have supported the World Bank’s analytics and technical assistance relating to the Village Law. The Bank and Australia-Indonesia Governance for Growth (KOMPAK) have worked closely on initiatives supporting Village Law implementation. Supported by USAID, the Bank also provides analytical and technical supports to the Ministry of Planning (BAPPENAS), MoHA and Ministry of Village (MoV) through Village Development PASA (P174562) to address frontier issues of Village Law implementation. To complement these investments in improved administration and management of the Village Law, the proposed JSDF grant will intervene at the village level to bring community groups closer to



the village governments, and improve the management of village fund to support inclusive livelihoods initiatives.

The proposed project aligns closely with the objectives of the Japan Social Development Fund (JSDF), which seeks to empower the poorest and most vulnerable groups not reached by other programs and improve their lives through direct benefits. The JSDF grant would pilot community-driven livelihoods development planning and government-led financing at the village level to improve livelihoods (incomes and food security) for the rural poor that have been left out of Indonesia’s economic growth and are underserved by the government’s existing programs. It will establish a model for inclusive livelihoods development in lagging areas at a strategic point in time as the climate crisis, COVID-19 pandemic, and long-run trends towards unequal development are hitting the poor the hardest – while resources to respond are constricted. The JSDF financing would also be leveraged to institutionalize participatory and inclusive planning for inclusive livelihoods development across lagging areas, through linkages with the P3PD Project. Finally, mobilization of Non-Government Organization partners such as BaKTI (see Implementing Agency Information) will contribute to national efforts for long-term sustainable recovery from the COVID-19 crisis.

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Relationship to CPF

The project contributes to the World Bank Group’s Country Partnership Framework (CPF) for 2016-2020 and the Performance and Learning Review (PLR) dated October 2018. The 2016-2020 CPF (Report No. 99172, Board Date: December 1, 2015) identifies three pathways for poverty reduction and shared prosperity: job creation; service delivery and opportunities for all; and natural resource management. The CPF is structured around six Engagement Areas and two Supporting Beams, further confirmed in the 2018 PLR. The proposed project supports Engagement Area 4: Delivery of Local Services and Infrastructure, and supporting Objective 6: Strengthening the decentralization framework to improve local service delivery.

The project is aligned with Gol’s National Medium-Term Development Plan (RPJMN) 2020 to 2024. The Village Law is a key instrument for RPJMN to deliver basic services, increase accessibility, and contribute to national economic growth. This project will also contribute to understanding and development of a model for the government to achieve its RPJMN Pillar 2 on developing regions to reduce gaps and equity assurance and Pillar 6 on developing environment, improving disaster security and climate change.

C. Project Development Objective(s)

Proposed Development Objective(s)

Increased access to livelihoods opportunities for target vulnerable and female community members in target villages in Maluku and East Nusa Tenggara provinces in Eastern Indonesia.

The target beneficiary is approximately 7000 (50% female) vulnerable community members in approximately 100 villages in Maluku and East Nusa Tenggara provinces in Eastern Indonesia.



Key Results

The Key Results for the PDO will be measured by the achievement of the following indicators*:

1. Number of Village Livelihoods Plans developed in pilot villages.
2. Number of community livelihood initiatives supported by village, sub-district, and district governments.
3. Improved percentage of participation and civic engagement of poor and marginalized community members in village livelihood activities (JSDF core indicator), disaggregated by gender.
4. Improved income of poor and marginalized community members involved in livelihoods groups.

*Baselines will be established after implementation of baseline survey, to be implemented by the implementing agency within the first quarter after grant agreement has been signed.

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D. Preliminary Description

Activities/Components

OVERVIEW

The project aims to achieve the PDO through inclusive development planning, paired with strengthening local linkages to support community-led livelihoods initiatives in approximately 100 villages in Maluku and East Nusa Tenggara Provinces of Eastern Indonesia. The project defines livelihoods as a broad range of activities and assets people utilize to support themselves. In target villages, communities rely heavily on a limited set of livelihoods options focused on food and commodity production from natural resources. Improving livelihoods in these areas require support to local food systems, access to and management of natural resources, and increases in social capital of the poorest. Working with BaKTI (an established NGO in Eastern Indonesia) as an implementing agency, and their partnerships with district and village governments, the project will design and implement a model for poorly connected and marginal areas that takes an inclusive, whole-of-community approach to strengthening village economies and food systems. The project will (i) support villages to develop livelihoods plans and directly support community groups and the poorest households, and (ii) strengthen institutional linkages between community groups and village government, district government and other local actors, to provide sustained, local support to livelihoods initiatives and sustainable landscape management practices, including through the village fund.

The project will select target villages from Seram Bagian Timur district in Maluku province and Sumba Barat Daya district in East Nusa Tenggara province in Eastern Indonesia. The project selected the two districts based on high levels of vulnerability to climate hazards, high levels of poverty, low levels of resilience/adaptive capacity, and no significant limitations in terms of accessibility related to conflict. Within these districts, the project will identify approximately 100 of the poorest villages based on: (i) limited livelihoods opportunities and highest levels of poverty and exclusion; (ii) villages with limited linkages to



other programs/ donors/ private-sector investments; and (iii) high levels of vulnerability to climate-related changes.

The project aims to develop an innovative model for community-driven livelihoods development in remote and lagging areas. The project will pilot inclusive, participatory, whole-of-village analysis and planning tools that support villagers and local government to map out the village economy and food systems and develop viable livelihoods interventions. This model departs from traditional individual or business-focused activities, combining economic and social analysis, a strong understanding of natural resource-dependent livelihoods, and the constraints of remoteness. The model will build on local factors (knowledge, skills, trust, resources, and institutions) to identify opportunities to improve livelihoods. The interventions aim to develop context-specific, community-driven actions to mitigate the interlinked challenges of poor economic integration, natural resource dependence, and climate vulnerability. The project will support villages to prioritize and launch viable livelihoods initiatives, which will serve as proof of concept for local government bodies, who will be encouraged to strategically utilize village funds to support livelihoods and improve local food systems.

The proposed project will address the supply and demand sides of the village fund process to strengthen local economic and food systems to achieve the PDO. Component 1 of the project will: (i) pilot tailored participatory mapping and planning at the village-level, with a focus on identifying social (e.g. increased cooperation between poor households) and economic (e.g. methods to increase food production) livelihoods opportunities suited to poorly connected and marginal areas; (ii) support community groups to undertake livelihoods enhancing interventions in line with livelihoods plans; and (iii) identify linkages with technical support and service providers to support livelihoods plans. On the supply side, Component 2 will: (i) build the capacity of village governments to leverage village funds to support viable livelihoods enhancing initiatives; (ii) support inter-village learning and exchange; and (iii) undertake socialization and outreach to sub-district and district governments to build linkages in support of village livelihoods interventions. Linkages between Components 1 and 2 will identify opportunities for how mapping of vulnerable community members can feed into the village government's PKT cash for work program and village fund utilization. Component 3 will provide project management and administration for all implemented activities, monitor the progress against the set indicators and generate policy and program-relevant learning, and knowledge dissemination to share lessons learned with policy makers and promote visibility. The project's three components are elaborated below.

COMPONENT 1: Inclusive Community-Driven Livelihoods (\$1.9m)

Subcomponent 1.1 will facilitate inclusive CDD planning in approximately 100 villages to support village communities to envision, plan and implement inclusive livelihoods initiatives, taking advantage of village resources to enhance community food systems and livelihoods strategies. The expected output is that community livelihoods groups in target villages will have received technical assistance to help them identify viable livelihoods initiatives and produced Village Livelihoods Plans identifying local livelihoods initiatives to be undertaken by socially inclusive community groups. This component will draw on global and domestic lessons learned on CDD methods, and pilot a tailored approach to facilitating the development of place-based strategies for livelihoods development. This approach will leverage social capital and public resources



(services and village fund) to address the constraints presented by weak market integration, climatic shocks, fragility of productive natural resources, and geographic remoteness.

Through a process of participatory mapping and public dialogue, each village will undertake a thorough assessment of existing and potential constraints and opportunities to village-led livelihoods development, with a focus on community food systems and the local economy planning. Participatory planning tools (Box 1) will be utilized to map village and household economies, social dynamics, livelihoods strategies, and natural resource management patterns, at the hamlet and village-level. For example, project facilitators will work with communities to map out and analyze social and economic conditions – such as hunger and coping strategies, forms of dependency or inequality, sources of income, food production and trade practices, climate adaptation strategies, and natural resource access and use – and consider ways to collectively change the conditions to improve wellbeing. They will also identify common interest groups, such as groups of landless farmers/ wage workers, women-headed households, and households reliant on the same common resources, such as forests, who have shared challenges and interests, and may have greater agency to improve their social and economic standing by working together. Participatory analysis and planning tools will be designed to address exclusion of marginalized groups (Box 2), including women and those in lower income brackets, within the participatory village planning process, and to develop a collective understanding of some of the environmental challenges faced, such as changes in precipitation, or prevalence of floods or fires.

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Box 1. Participatory Planning Tools

The project will use a series of participatory rural appraisal tools tailored to village contexts, based on predominant environmental, social, and economic characteristics. These will include:

- Village social & resource mapping: Participatory mapping of access of different community groups to public and natural resources and intra-village leadership/ exclusion.
- Village vulnerability assessment: Participatory, gender-sensitive livelihoods and hunger analysis to identify the most vulnerable youth and households.
- Food systems and food security mapping: Mapping seasonal trends in hunger, food production, purchase, and availability, and coping strategies, including possible use of PKT activities.
- Livelihoods mapping: Assessment of available skills and resources. Semi-structured focus group discussions to document perceived livelihoods needs. Identifies common interests across households within villages in addressing constraints to local economic development.
- Land/ resource use change analysis: Identify sustainable and unsustainable resource access and use patterns by looking at what



has changed over time, and who benefits/ loses. This will help them to identify options for redress, such as limiting over-exploitation of fisheries, adapting water conservation measures, or advocating for reduced conversation of forest for commodity cropping.

- Biodiversity mapping: Identify protected or sensitive areas and known endangered species located in village proximity and/or potentially affected by future livelihood activities, if any. This will help villages to avoid causing adverse impacts to natural habitats and determine whether or not it is necessary to find alternative locations for livelihood activities or plan mitigation measures.
- Disaster risk reduction mapping: Identify exposure to natural disasters and mitigation strategies. This will help villages to identify mitigation measures, such as re-planting fragile hillsides, reducing over-grazing, or investing in protective infrastructure.
- Village economy/ market mapping: Identify the options for revenue generation, trade, and costs savings across a range of village economy issues, from barter to goods selling and food purchasing. Includes identifying private sector actors in agribusiness and technology, and the availability of agricultural and food support programs.

Box 2. Approach to Inclusion of Marginalized Groups

- Project facilitators and village facilitators/ cadres trained to handle village dynamics/ manage dominators and exclusionary patterns.
- Meeting invitees will target a minimum quota for female (50%) and marginalized groups (30%).
- Meeting times selected to match availability of women and marginalized groups.
- Meeting invitations will be circulated in writing and verbally to previously excluded groups.
- Utilization of visuals and local languages and different means to give inputs (in writing/ using show of hands/ verbally) during meetings to be literacy- and gender- sensitive.
- Separate sessions in small homogenous groups to collect inputs/ discuss/ address specific issues with women and marginalized groups.

Utilizing the participatory mapping and planning methods outlined above, target communities will prioritize a list of actions to address sustainable livelihoods. The project will support each village to prioritize inclusive livelihoods strategies through development of a Village Livelihoods Plan (VLP), capturing



key priorities and actions. These VLPs will be the basis for collective actions for community groups to implement with technical support from the project, and for village government, other institutions and villagers to undertake independently with advocacy support from the project. The project will develop innovative participatory tools to guide villagers through consensus-building activities to prioritize common challenges and opportunities, and commit to actions to enhance livelihoods over the medium-term. Participatory livelihoods planning will include not only individuals or households with access to productive assets, but also marginalized groups and community groups who may collectively manage natural resources. The tools will be tailored to the resource-constrained context of the target villages, designed to identify and develop economic opportunities, and to address social dynamics, local food system issues, and natural resource management practices that are limiting village-wide development. The planning process will involve stakeholder mapping to identify possible linkages between hamlets, villages, and with service providers, private sector, and local government on which communities can draw. The VLP will remain a simple document that is understood and owned by the village community (rather than an exhaustive document prepared by outsiders), utilizing a clear visual structure and remaining publicly available.

BaKTI will hire 30 Project Facilitators, who will be responsible for mobilizing village communities, identifying local leaders to champion change, empowering approximately 200 community groups, and leading community-driven mapping and planning exercises. In each of the selected villages, Project Facilitators will disseminate information and mobilize community members and social and economic groups to participate in the planning, implementation and monitoring of the VLP. The VLP will be signed along with a joint agreement which outlines respective roles and obligations of the stakeholders – villagers, village government, community groups, and sub-district and district heads. Project Facilitators will identify local champions at the village and hamlet levels, from the supply and demand sides, and strengthen their capacities through training and on-the-job coaching and mentoring to become owners and facilitators of the various participatory mapping tools. Project Facilitators will also work with the community to engage village governments and support village officials to link the results of the mapping with village fund allocation, for example by linking the village vulnerability assessment with PKT cash for work programming. One Project Facilitator will support between three to five villages depending on geographical conditions, and will collate VLPs to identify the types of technical support needed by the villages and potential inter-village linkages. Further details on selection and training of Project Facilitators will be determined at appraisal and detailed in the operations manual.

Each target village will be supported for up to three years, with roll-out staggered over the four-year project. In each village, the first year will build the social and analytical foundations for improved village livelihoods. This includes a full package of participatory mapping and planning tools deployed, after which each village will prepare a VLP and launch livelihoods initiatives, with technical support from the project. In the second and third years, villages will review and improve the VLP and implementation of related livelihoods initiatives, advocate for support from and linkages with village government and district technical support, and conduct dialogue and exchange with neighboring villages (see Component 2).

Subcomponent 1.1 will finance: (i) staff to design and deliver Component 1.1 activities; (ii) recruitment, training, and deployments of Project Facilitators; (iii) village mobilization and participatory livelihood



mapping and analysis; (iv) participatory development of VLPs; (v) forums to develop the capacity of livelihoods groups and facilitate handover to village stakeholders; (vi) training of village cadres and hamlet heads; (vii) related activity coordination support costs including office rental, and communications expenses; and (viii) training on participatory monitoring for beneficiaries.

Subcomponent 1.2. The project will provide support to approximately 200 community groups, where needed, to launch livelihood initiatives. The support may include: (i) sourcing and financing technical experts on the specific area of proposed interventions (if government support is not already provided through the relevant departments); (ii) facilitating village-to-village exchange; and (iii) provision of small non-capital expenditures for community-groups to develop livelihoods initiatives (not to exceed US\$ 750 per village). Examples of potential expenditures include stationary packages to support small businesses, shared handcarts or storage vehicles to transport goods to local markets, or agricultural inputs to support development of a demonstration plot for a community-managed vegetable garden. Livelihoods initiatives are expected to be independently run and/or supported and sustained by the village fund in the second year of the project and onwards. Technical support provided by the project will help newly formed or existing community groups consisting of poor and marginalized village members to launch collective initiatives that may otherwise be too risky or out of reach financially. These initiatives are not restricted to certain activities, and may address improvements to livelihoods in a wide range of ways, appropriate to the needs and opportunities present in the village. Eligibility for technical support is premised on a minimum of thirty percent members from vulnerable groups, and submission of a viable proposal for livelihoods enhancing initiatives. The governance and approval mechanism for the non-capital expenditures will be stipulated in the Project's Implementation Manual (PIM), which the Bank's task team will review and provide a No Objection Letter to. Further details on the provision of technical support to community groups will be elaborated at appraisal stage.

BaKTI will assess eligibility of community groups for technical support with strict eligibility criteria. This eligibility criteria, will be elaborated in the PIM in full. Purchase and provision of goods will be considered on a case-by-case basis, with the approval from project's district staff, which will include criteria such as: (i) clear links to the VLP; (ii) a minimum contribution of the livelihoods group members; (iii) inclusive benefits to group members; (iv) adequate capacity to implement and manage the initiative; (v) viability and sustainability of resource access and use; and (vi) an exclusion list, based on ESF and Procurement requirements. Only initiatives requiring technical support require vetting by BaKTI – others may be launched independently by villages without requiring review by the project team.

Component 1.2 will finance: (i) staff to design and deliver Component 1.2 activities; (ii) provision of technical support to community groups, including non-capital expenditures for community groups to develop livelihoods initiatives, facilitation of technical clinics with local experts, and external technical advice on proposed initiatives; and (iii) costs associated with coordinating provisions of technical support, including communications and travel costs.

COMPONENT 2: Strengthening Local Government Capacity and Linkages (0.47m)



Component 2 will build the capacity of local government to support, and facilitate technical support for, village-level inclusive livelihoods initiatives developed through Component 1. The expected outcome is that village, sub-district and district governments recognize and support livelihoods initiatives launched by community groups. BaKTI staff will identify livelihood programs and technical supports at the district and sub-district level, both government and non-government, around which local officials play a coordination and linkage building role. BaKTI will conduct capacity building and on-the-job training for existing relevant village, district and sub-district staff, including representatives from the Regional Development Planning Agency (BAPPEDA), the Community Empowerment Department, District Agriculture, Fishery, and Forestry Departments, and Sub-district government and Village Community Empowerment Facilitators (*Pendamping Desa* and *Pendamping Lapangan Desa*), as relevant.

Training for village government will: (i) inform village governments with various regulations related to village fund and PKT in support of localized livelihoods initiatives; (ii) identify funding support to implement community livelihoods initiatives through the village fund; and (iii) support provision of various extension services. In addition, the project will support the establishment of sub-district- or district-level clinics by district government for on-going mentoring, inter-village exchange, and other learning opportunities to strengthen social and economic ties in support of livelihoods initiatives. Project staff will lead training for village government, with supports from sub-district and district-level government officials, who will participate and develop linkage building.

In the first year, Component 2 will focus on awareness raising and service/support mapping. The project team from BaKTI will identify support needed by communities by collating livelihoods initiatives from Component 1 and matching these with existing district government programs and extension services as a priority. Where feasible, project team will establish linkages with other programs/ existing service providers/ local NGOs (such as those supporting establishment of savings groups, food banks, or forest management training). Finally, they will identify additional technical support needed to kickstart the implementation of livelihoods initiatives by recruiting short-term local livelihoods specialists, to be financed under Component 1 (e.g. community nutrition experts, business development trainers, or engineers specializing in flood control infrastructure). In the long run, these short-term specialists can be hired directly through village fund or livelihoods groups.

In the second year, Component 2 will identify linkages for livelihoods initiatives across villages, building on economic and social bonds and mutual interests. This Component will support and strengthen the capacity of district government authorities to promote potential linkages across village livelihood initiatives. Linkage building will be based on realistic assessments of demand growth of the source of livelihoods and based on mutual interests and real demand from both sides. By year 2 of the project, livelihoods initiatives launched by community groups may benefit from linkages to additional/ alternative sources of finance or technical support from local government or private sector actors, or may be in a position to expand outreach, such as to neighboring villages or sub-district markets. Linkage-building supported by the project will identify this potential through the participatory and consultative activities in Component 1 (2nd year of the project) and escalate the needs and opportunities facing villages to identify opportunities to link and support them.



Component 2 will also provide as-needed technical support for the district governments to issue regulations to support and sustain village-level inclusive livelihoods initiatives. The district government will need to issue regulations to provide guidelines for participating village governments to support participatory livelihoods planning processes and encourage village livelihoods initiatives. Where applicable, district government may need to issue circulars to highlight latest regulations and directives on specific topics, such as eligible activities for PKT.

Component 2 will finance: (i) staff to design and deliver Component 2 activities; (ii) awareness-raising and capacity building for local government to support village-level inclusive livelihoods initiatives; (iii) identification of linkages to technical support for village livelihood initiatives; (iv) expert consultants to draft district regulations to support village livelihood initiatives; (v) linkage building events at sub-district and district level; (vi) inter-village exchange platforms; (vii) handover to district and sub-district actors; and (viii) office rental and communication expenses for activity coordination.

COMPONENT 3: Project Management, Monitoring and Evaluation, and Knowledge Dissemination (0.4m)

Sub-Component 3.1. Project Management. This sub-component includes overall project management, including internal supervision, travel, administration, progress and completion reporting, annual audit, FM and internal audit training, and associated costs (office equipment, supplies and utilities). BaKTI will oversee the project implementation, conduct monitoring and annual internal audit. BaKTI will set up a dedicated finance and procurement specialists for the project.

This sub-component will finance: (i) one project launch event, (ii) mid-term review expenses, (iii) dedicated finance and procurement specialists for the project; (iv) annual financial audits; (v) office equipment; (vi) project coordination meetings, including project steering committee meetings; (vii) operating costs including office consumables, rent and utilities, and local transport; and (viii) operations and communications staff. Further details on project management, including financial management and procurement arrangements, will be elaborated in the operations manual, and based on assessments of implementing agency capacity.

Sub-Component 3.2. Monitoring and Evaluation. This sub-component will track progress against the project's PDO and intermediate indicators and generate policy and program-relevant learning. The Bank's task team will develop the Theory of Change, Results Framework, and monitoring and evaluation plan collaboratively with BaKTI. The project will utilize participatory monitoring and evaluation techniques, engaging project beneficiaries in participatory data collection and reflection of observed changes. This participatory approach will be designed to ensure effective and efficient data collection, while further developing ownership of beneficiaries of data, changes and progress, and improving project sustainability. This sub-component will include:

- a. **Evaluation.** BaKTI will procure a third-party institution to conduct baseline and endline studies in approximately 50 villages, targeting a total of 25 sample households per village. Sample villages and comparison control villages will be selected using a propensity score matching methodology. At the household level, the evaluation will assess changes in food security, income, a range of other



livelihoods-relevant data, utilizing adapted version of the Forests & Livelihoods: Assessment, Research, and Engagement (FLARE) Livelihoods and Wellbeing (LivWell) survey, and FAO's Food Insecurity Experience Scale (FIES) instruments, tailored to the project. The surveys will be tailored to expand on participation and engagement, and to look at natural resource use beyond forests. At the village level, the evaluation will collect data on community livelihoods activities, existing livelihoods groups, village planning participation and inclusiveness, village funds utilization, and other indicators that may be influenced by the project.

- b. **Monitoring.** BaKTI will set up a small project monitoring team and MIS to track: (i) implementation of each activity; (ii) number of participants in meetings and trainings disaggregated based on gender and vulnerable groups; (iii) financial information on activities funded by JSDF/ district government/ village government, and (iv) project outputs and intermediate results indicators for the PDO. The MIS will also utilize FLARE's LivWell and FIES instruments to track food security and income of active participants in the project's livelihoods initiatives activities. Finally, the MIS will document the Village Livelihood Plans, and any activities from the VLPs that get funded by village fund. Data collection will be undertaken using participatory methods of discussing and processing data. Further details will be outlined in the operations manual.
- c. **Documentation** of processes and lessons with recommendations for replication and scale. BAKTI's project monitoring team will collect written monthly reports from Project Facilitators to document and identify effectiveness of the following: (i) various facilitation processes and methods utilized in strengthening participation and inclusion; (ii) quality of participation by women and vulnerable groups in sample villages; (iii) participatory planning and prioritization tools employed to identify and select community livelihoods activities; (iv) technical support to livelihoods activities; and (v) various ways to strengthen linkages to village government programs. BaKTI will also collect and collate monthly reports at the district level to document: (i) various ways to strengthen the capacity of district, sub-district and village government; (ii) various ways to support village livelihoods plans and linkages with government, non-government, and private-sector value chain; and (iii) various regulations that need to be issued by district governments to support implementation.
- d. **Reporting.** BaKTI will produce regular progress reports, both technical and financial, as required by the Grant Agreement. This will include progress reports, an implementation completion report, and a mid-term evaluation. In addition, BaKTI will code and track the project's expenditure per activities and Components to provide an economic analysis for project's scalability. Further details will be provided at appraisal stage.

This sub-component will finance: (i) procurement of service provider to conduct project baseline and endline evaluation studies; (ii) project monitoring and evaluation staff; (iii) the project completion report; and (iv) training on use of M&E systems for project staff.

Sub-Component 3.3. Knowledge Dissemination. This sub-component will prepare a communications and knowledge dissemination strategy to share lessons learned with the Bank and the Government of Indonesia. The strategy will ensure that knowledge generated within the project is systematically identified, analyzed, documented and shared, and that it is used to: (i) improve project performance and delivery; (ii) document and share innovations, best practices and stories of successes and failures to improve project intervention



and support mainstreaming in national processes and upscaling; and (iii) identify important issues to convey to policy makers. Further details of the knowledge dissemination strategy will be developed at the appraisal stage alongside stakeholder engagement planning.

This sub-component will finance: (i) translation and publication of materials for the project; (ii) knowledge dissemination events, including conferences; and (iii) design and production of project communication materials.

Environmental and Social Standards Relevance

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E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Areas OP 7.60	No	

Summary of Screening of Environmental and Social Risks and Impacts

The project development objective is to increase access to livelihoods opportunities for target vulnerable and female community members in target villages in Maluku and East Nusa Tenggara provinces in Eastern Indonesia. ESS 1, 2, 3, 4, 6, 7 and 10 are relevant for this project because the development of VLPs will result



in a list of feasible livelihoods enhancing actions or small-scale activities as well as investments related to disaster risk protection that may generate environmental impacts. Where needed, the project will support the launch of livelihood initiatives in the first year of project implementation. The project will limit its support to small-scale works, such as procurement of stationaries, handcarts and storage vehicles for small businesses, or development of a demonstration plot for a community-managed vegetable garden with focus on community foods system and the village level's economic development. Therefore, potential associated risks and impacts on human populations and/or the environment are likely to be minimal or negligible, mostly are related to waste management from products or small-scale facilities' development or protective infrastructure. These can be easily mitigated in a predictable manner using the readily available mitigation measures such as code of practices, guide book (Do and Don'ts during construction) from the previous PNPM Rural guidelines and other CDD type projects. Environmental and Social screening checklist and exclusion list and Labor Management Procedures shall be developed prior to appraisal which will be later incorporated into the Project Implementation Manual (PIM). Project activities consist entirely of participatory planning focusing on improving existing food systems and livelihood economic activities and will be designed to be inclusive of and target vulnerable and disadvantaged groups within communities. There may be some site-specific risk that the project fails to ensure participation of and address the needs of the targeted vulnerable groups due to a lack of local government capacity. This is particularly the case for subprojects that engage with indigenous communities that have less familiarity with local government programs and greater cultural distance. To the extent possible, this risk has been anticipated in the design of the components. It would only materialize if project activities were poorly implemented using top-down or ill-informed approaches, which although unintended, may pose risks to the sustainability of project activities. ESS 5 and 8 are not relevant as the project does not finance any physical investments which may cause involuntary resettlement or to affecting cultural tangible or intangible cultural heritage. The project will not finance feasibility and design studies with downstream impacts since the project activities are largely planning and capacity building.

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