



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### **(ESRS Appraisal Stage)**

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**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Indonesia	EAST ASIA AND PACIFIC	P165742	
Project Name	ID: Strengthening of Social Forestry in Indonesia		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Environment, Natural Resources & the Blue Economy	Investment Project Financing	1/20/2020	2/27/2020
Borrower(s)	Implementing Agency(ies)		
Ministry of Finance (MOF)	Ministry of Environment and Forestry (MOEF)		

Proposed Development Objective(s)

The Project Development Objective (PDO) is to improve access to forest land use rights and strengthen community management in selected priority areas allocated for social forestry

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>109.43</b>

**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

Indonesia’s land governance is characterized by a dual land administration practice under two different ministries, the Ministry of Environment and Forestry (for forest area) and the Ministry of Agrarian Affairs and Spatial Planning/National Land Agency (for non-forest area or area for other purposes), that leads to unclear legal recognitions of land rights and tenure arrangements which contributes to slow recognition land rights of communities living in forest areas, limiting their access to resources and constituting a major cause of poverty. Insecure tenure raises the prospect of land conflicts that threaten the livelihood of forest communities, and drives deforestation and forest degradation. Involvement of local communities in protecting and managing forests while recognizing their



rights to secure tenure and livelihood has become a major priority of the government and is a pillar for both sustainable forest management and local community welfare. To achieve this objective, the Government of Indonesia (GOI) launched the Agrarian Reform Program and Social Forestry Program.

The Social Forestry Program (SFP) is considered a strategic approach to address the drivers of forest degradation, deforestation and poverty and contributes to the government's national poverty alleviation program. Social forestry is an approach to forest management and protection that prioritizes social and environmental development through the restoration of degraded lands. The GOI aims to use the SFP to address the systemic poverty by selecting, demarcating and registering lands in forest areas as community-owned, while simultaneously enhancing forest management and restoration in the buffer zones of critical protected areas.

With the ambitious target achievement of 12.7 million ha by 2019, the implementation of the SFP has been slower than expected, albeit the government actions to accelerate the implementation of the Program. This is due to difficulties in identifying and transferring appropriate degraded lands, weak capacity at the community level to access information, markets, and technical assistance, and limited institutional capacity and incentives at the national and local government level in implementing the social forestry schemes.

The GEF financing will support the GOI's SFP to improve methodologies to facilitate transfer of appropriate degraded land and build capacity of local government and communities to execute such transfer. It will also provide technical assistance for forest management and related livelihood activities so as to promote poverty reduction and biodiversity conservation.

The PDO of the proposed project is to improve community forest management and access rights of forest land in select priority areas. The objective would be achieved through the restoration of degraded lands, protection of forests, strengthen local capacities in social and environmental priority areas using best available data, by providing technical assistance to communities, formalizing land use access and supporting livelihood activities.

The project will consist of three components:

i) Component 1: Policy and institutional strengthening to support social forestry. The objective of this component is to create an enabling environment for the successful development and strengthening of social forestry in Indonesia, and to allow for future sustainable scale-up of activities. This component would cover activities in support of developing and harmonizing the relevant policies, regulations, and procedures to expedite implementation of the GOI's Social Forestry Program (SFP), as well as mainstreaming social forestry objectives in other relevant sectoral policies and programs. The project would also support the development of institutional capacity at the appropriate levels of government to promote Social Forestry Program activities consistent with the proposed project objectives. It would allow for the sustainable management of forestry resources by the users while providing income generating opportunities. The project is expected to generate lessons learned to date from social forestry in Indonesia and to draw lessons from other countries to contribute to the achievement of the project objective, to assess and address the capacity needs at the government and community level for effective implementation of the Social Forestry Program, including by supporting the creation of social forestry networks, and strengthening sustainable livelihood models, strengthen the MoEF's Indicative Map of Social Forestry Area (PIAPS), which is a map and data used before issuance of use rights and permits, and the Social Forestry Navigating System (SINAV), which is a database (with georeferencing and detailed information about permit holders, activities, and other relevant information) of the social forestry area after the permits are issued. The project would provide much needed capacity and knowledge for replication to meet the Social Forestry Program's objective of 12.7 million ha.



ii) Component 2: Strengthening community management within social forestry. The objective of this component is to support the effective and efficient implementation of the Social Forestry Program. This component would cover activities that facilitate and provide technical assistance to the communities in formulating sustainable forest management plans; support the development and/or strengthening of sustainable livelihood models in the communities consistent with the management plan; provide technical assistance for sustainable livelihood activities that include production, harvest, processing, marketing and promotion, bookkeeping, and accounting. Some of the activities could be developing business plans for the social forestry area (rolling plans); ongoing identification of potential products or services; and strengthening the system for the provision of technical and business development experts to support communities and groups, for example, in developing terms of reference, financing proposals and plans, databases, processes, and supporting the establishment of nurseries. The support mechanism is the provision of block grants to communities. This project would also support communities in (i) implementing the management plan, and (ii) developing and implementing priority livelihood investments consistent with the management plan prepared with project support, through community block grants, which could serve as start-up capital. These investments are expected to enhance the sustainable management of the forest areas, including increase in forest cover in degraded lands to provide biodiversity dispersal and wildlife corridor benefits, and the socioeconomic well-being of the villagers.

iii) Component 3: Project management and monitoring and evaluation. The objective of this component is to ensure effective and efficient implementation of project activities in order to achieve the PDO. This component would provide incremental operating costs of the National Project Management Unit (NPMU) led by the Director General of PKPS in ensuring efficient delivery of project resources to achieve the PDO; finances the establishment of a robust monitoring and evaluation (M&E) system to document project progress and results. The component also focuses on project management arrangements and mechanisms including support to project governance structures, coordination with other partners, as well as M&E, preparation and supervision of implementation-related plans (including Annual Work Plan and Procurement Plan), and fiduciary responsibilities such as procurement, financial management, and safeguard compliance. To strengthen project management, incremental financing would also be available to support selected technical assistance such as financial management specialists, procurement specialists, and M&E specialists.

#### **D. Environmental and Social Overview**

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social] Project activities will take place in degraded forest lands within areas identified as important for biodiversity conservation in the six selected regencies in Lampung, Sumatra Barat Nusa Tenggara Barat and Maluku. Lampung Regency is generally flat and land use is for cultivation of food crops and plantations. There are Protected forests and marine conservation area (Anak Krakatau Island) in Lampung and is home to some species listed on the IUCN and Indonesia protected list of species including Sumatran wild cat (*Felis bengalincis*), Sumatran leopard (*Neofelis nebulosa*), and Sumatran gibbon (Agile gibbon). In terms of vegetation, this forest also hosts three endangered species, i.e. Sumatran merbau wood (*Instia spp*) and crystalline resin (*Shorea spp*). Lampung is a multi-ethnic province with three major ethnic groups, namely Javanese, Lampungese and Sundanese, where Lampungese are the native ethnicity in the province. The pluralistic society of Lampung uses various languages, including Indonesian, Javanese, Sundanese, Balinese, Minangkabau and Lampung. Lima puluh kota site in Sumatra Barat is mostly forest (Protection Forest, Sanctuary Forest, and Tourism Forest). Plantation sub-sector in Sumatra Barat contributes significantly to the agricultural sector. Of global diversity value include yellow-throated marten (*Martes flavigula* Boddaert), deer, moose,



long-tailed monkey, agile gibbon, gibbon, sun bear, tiger and tapir, amorphophallus titanum, rafflesia, orchids, resin, jelutong, keruing, balam, cinnamon, Borneo tallow nut and iron wood. West Sumatra is the native homeland of Minangkabau people who speak Minangkabau language and predominantly Muslim. West Sumatran have historically played the important role within the Muslim community in Indonesia. Up until today the region is considered as one of the strongholds of Islam in Indonesia. They have a reputation as traders, intellectuals as well as politically savvy people have successfully exported their culture, language, cuisine and beliefs throughout Indonesia. Tuban site in Jawa Timur consists of lowlands and highlands, and is known as the City of a Thousand Caves situated in the northern limestone mountains. Some of the caves have stalactites and stalagmites. Tuban has also mangrove beaches. East Java people use Javanese as daily language. The dialect is notable for its roughness compared to other dialects spoken elsewhere in Java (especially the Mataram dialect spoken around Surakarta and Yogyakarta, which is renowned for its smoothness) and contributes to the stereotype among Javanese people of East Javanese being "blunt" and "loud". Other than Javanese, minority language includes Madurese, spoken by ethnic Madurese people. East Java is known as the hub and center economy of Central and Eastern Indonesia, and has a high economic significance, which contributes over 15% to the Gross Domestic Product of Indonesia. Bima site in Nusa Tenggara Barat has relatively high biodiversity in the form of primary and secondary dry land forest, shrubs, dry land agriculture, open land, and fields. There are fairly large dry lands and plantations, dominated by agricultural commodities and livestock. There are also the potentials for the development of marine aquaculture that has high economic value. Dompu site in Nusa Tenggara Barat is generally hilly at an altitude of 100-500 meters above sea level. There are 19 large rivers with varied water debit, and there are several pieces of small streams and springs that flow throughout the year, as a source of livelihood. Agriculture, animal husbandry, farming, fishing, forestry, and mining is common in Dompu. Nusa Tenggara Barat is mainly inhabited by the Sasak ethnic group, with a minority Balinese population, and Sumbawa is inhabited by Sumbawa and Bima ethnic groups. Each of these groups has a local language associated with it. The province is considered to be one of the least developed of Indonesia provinces. In 2005, Nusa Tenggara Barat was reported as the most affected area for malnutrition and kwashiorkor. Life expectancy in Nusa Tenggara Barat is the lowest in Indonesia and infant mortality rate is the highest. West Halmahera site in Maluku consists of hills and mountains. Forest areas include permanent production, limited production and convertible production forests. West Halmahera district has complete potential coastal and marine resources, including mangrove, mangrove forest, sea-grass and coral reefs. North Maluku has a very diverse population. In total there are around 28 ethnic groups and languages in North Maluku. They are divided into two families of languages based on the language used, namely Austronesian and Papuan. West Halmahera are dominated by Papuan-speaking ethnic groups. Most of the population in North Maluku is Muslim, with Christians (mostly Protestants) a significant minority. Hinduism, Buddhism, and various other religions are practiced by a small part of the population.

The interventions focus on buffer-zones of protected areas and that while degraded, may harbor important biodiversity and natural habitats threatened by human occupation and activity. These forests face numerous threats and challenges, including land use conflicts; uncertain land and forest ownership; overlapping concessions for mining and other non-forest land uses; the spread of large-scale commercial agricultural estate crops (particularly oil palm); smallholder agricultural expansion; illegal logging and fuel-wood harvesting; improper land and forest management; and widespread bush-meat hunting that is depleting the wildlife in many areas. This project will therefore be situated in a context that poses many environmental and social challenges and risks. However, the project interventions themselves will be designed to be beneficial and sustainable from an environmental and social standpoint, with a focus on targeting excluded groups, training for effective cross cultural communication and appropriate extension services that develop economic opportunities for social forestry groups. Since the Social Forestry policy and program is national in scope, potential social risk issues may stem from lack of community participation due to limited access



to information about relevant policies, procedures and means of participating in project activities. Access to socially and culturally appropriate information and services related to social forestry permitting, natural resource management and livelihoods support options will affect the achievement of the social forestry program objectives. Unclear legal requirements of communities may also disadvantage some groups of indigenous peoples and other forest dwelling peoples. In light of these concerns, boundary demarcations and land claim/certification related activities need to be planned and carried out in a participatory and inclusive manner, with cultural analysis and sensitivity, to avoid conflicts and to create legitimacy amongst all stakeholders.

D. 2. Borrower’s Institutional Capacity

In general, the Borrower’s institutional capacity needs strengthening, at central, provincial and forest management unit level. The existing Government’s Social Forestry Program has been facing challenges in implementation due to weak capacity of its staff to deliver at the community level to access information for enterprise development activities, markets of relevant sustainable products and services, and technical assistance to forest-dependent communities, and limited institutional capacity and incentives at the national and local government level in implementing the social forestry schemes, which have high targets and therefore place strong demands on under-resourced officials. The current implementation of the GOI’s Social Forestry Program focuses on capacity support to facilitate the community’s readiness in submitting requests for social forestry licenses to use State Forests and on developing and implementing the required management plans.

For safeguards, the Directorate General of Social Forestry and Environmental Partnership (Perhutanan Sosial dan Kemitraan Lingkungan/PSKL) in MOEF that manages the Program does not have dedicated staff to ensure and monitor compliance at PIU and village/district level and similarly in the Forest Management Units as the PIUs. The project will inject technical assistance at all levels of the system, strengthening social forestry implementation, with an emphasis on the use of social forest areas for sustainable livelihoods of affected communities, to demonstrate its value and create incentive for expanded social forestry within the target areas. An organizational structure with two full-time qualified staff for managing environmental and social risks will need to be established , as borrower capacity is currently inadequate in the light of ESF requirements. Institutional strengthening is part of project activities’ sub-component and will help to close gaps in institutional arrangement and implementation capacity, not only for environmental and social safeguards including the grievances redress mechanism, but also for conflict resolution more generally. The project will help develop the capacity within government institutions to review, recommend and approve the management plans and then supervise and monitor their implementation. Centralized safeguards support personnel will be supplemented by consultants as needed, to assist with activities in the project location through FMUs, provincial Working Groups and community-level TA activities. A capacity-building plan has been prepared in the ESMF for managing environmental and social safeguards risks commensurate with the scale and scope of the project. The safeguards/ESF related training is a required milestone prior to ground-level implementation of the project.

Public Disclosure

**II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS**

**A. Environmental and Social Risk Classification (ESRC)**

High

**Environmental Risk Rating**

Substantial



The requirements set out in paragraphs 14–18 of ESS1 will be applied to TA activities as relevant and appropriate to the nature of the risks and impacts. The terms of reference, work plans or other documents defining the scope and outputs of TA activities will be drafted so that the advice and other support provided is consistent with ESSs 1–10. Hence, ES risk assessment and management requirements per ESF do apply to the TA activities in this project based on 2019 OESRC Advisory Note on Technical Assistance and the Environmental and Social Framework. Under this project, the scope of TA activities potentially falls into all categories; type 1 (supporting the preparation of future investment projects, whether or not funded by the Bank), type 2 (supporting the formulation of policies, programs, plans, strategies or legal frameworks) and type 3 (strengthening borrower capacity). The project will promote transparency through stakeholder participation and public information disclosure in improving the policies, program and planning process. Capacity-building for managing E&S safeguards commensurate with the scale and scope of the project will be conducted. As part of the TA, strengthening of environmental and social aspects will be incorporated in the project design for provision of technical and business development experts to support communities/groups. The project also supports the development and implementation of community investments, which are expected to enhance the sustainable management of the forest areas including increase in forest quality in degraded lands to provide biodiversity dispersal and wildlife corridor benefits and socioeconomic well-being of the villagers. The implementation of viable business schemes may include the construction of small-scale infrastructure.

The project is expected to generate overall positive environmental impacts. This would be achieved through sustainable forest management and environmentally compatible agricultural activities that are intended to reduce the ongoing pressures for deforestation and forest degradation. Small-scale localized negative impacts may result from the small-scale community activities for the land management (such as mulching, contouring, terracing, species enrichment, and natural regeneration). There is also risk of environmental impacts from poor sustainable forest management planning and implementation or unintended expansion of incompatible agricultural activities that could exacerbate pressures on degraded and remaining forests. However, these activities are not expected to generate any large-scale, significant or irreversible environmental impacts. The project is characterized by low baseline sensitivity because the areas are mostly the degraded lands. Screening will be carried-out of sub-projects supported for environmental risks and impacts such as increased pesticide use from agricultural activities and pollution potential from small-scale land/forest management activities. Large private sector actors will not be involved in the community enterprise development unless agreed as part of a Partnership Scheme arrangement.

The ESF/safeguards instruments are based on the “Social Forestry Assessment”s that inform the ESMF. The ESMF includes guidance for the screening, consultation and analysis required to develop ESMPs or environmental codes of practice for each project location and guidance on suitable environmental and social mitigation options to meet ESF requirements.

Based on the type, location, sensitivity and scale of the project, the nature and magnitude of the potential environmental risks and impacts, the capacity and commitment of the Borrower, the environmental risk classification is substantial given some activities may be located near sensitive areas. The potential impacts are predictable, temporary and reversible, low in magnitude, site specific and project’s impacts can be mitigated in predictable manner.

**Social Risk Rating**

High

The project is expected to generate overall positive impacts but entails risks as it will be implemented in a complex social and regulatory context. Positive impacts include improved land tenure security and livelihoods for marginal



communities, including indigenous people (IP) and forest dwellers. The project deals with land and natural resource access, aiming to increase security and equity for vulnerable groups, whose access is currently restricted or denied, and whose livelihoods are linked to forest resources. Social complexity includes the involvement of vulnerable groups including IP and local communities with limited literacy, poor access to information, unique social and cultural structures and norms that may not be well understood or respected by mainstream actors, and a likely historical involvement of private sector in forestry activities that may have involved illegal activities, tension or ambiguity over regulations, rights and roles in forest management. Whilst supportive of sustainable community livelihoods, there are potential impacts associated with communities and farmer groups who may be over-exploiting natural resources and may be subject to access restrictions and tightening of legislation and enforcement. Complications may also result from the livelihood activities supported by the project, as the farmers or IP with permits for SF and forest management units (KPH) may lack experience and skills in managing the dynamics, including related to benefit sharing from the enterprises. Risks of social exclusion, including gender vulnerability and conflicts of interest between IP and other forest users, are identified, as are opportunities for increased inclusion and improved rights and access to sustainable livelihoods.

Screening of impacts from policy development & from physical interventions are included in the ESMF. ESMF includes an IPPF as policies, programs or plans will involve indigenous peoples & the MoEF has adopted an FPIC approach for preparation and implementation. A LARPF/PF is also provided to guide baseline data collection, impact assessment & mitigations with consultation processes for land replacement, alternative livelihood activities or other forms of compensation in the event land, resettlement & access restriction impacts.

Based on the type, location, sensitivity & scale of the project, the capacity & commitment of the Borrower, the social risk classification is high, despite taking into account the design of project interventions to be beneficial & sustainable from social standpoint.

The SSF project's environmental and social risk rating is considered as high due to the long-standing and complex forest and land governance challenges in Indonesia and global experience in the forest landscape sectors. The high risk-rating imparts enhanced World Bank oversight and resourcing to the Bank task team to implement successfully the project. The Government of Indonesia considers the SSF project as a lower risk intervention from environment & social perspective due to the SSF project's contribution to biodiversity conservation, improved forest management and enhanced community benefits. However, specific measures in the ESMF to ensure environment and social benefits & risk management are agreed by both the Govt. of Indonesia and the Bank. Further, in addition to employing two well qualified and experienced environmental and social risk management specialists, focused capacity building to FMUs and related MOEF entities to enable them handle conflict resolution and the updating of PIAPS (Indicative Map of Social Forestry Areas) and SiNav (Social Forestry Information and Navigation system) database procedures would be ensured.

## **B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered**

### **B.1. General Assessment**

#### **ESS1 Assessment and Management of Environmental and Social Risks and Impacts**

##### ***Overview of the relevance of the Standard for the Project:***





ESS1 is applicable to the project, in particular to Component 1 activities related to supporting village and district development planning and Component 2 activities that involve on-the-ground activities in forest areas and involving local communities . The total area from the six sites selected for the project is estimated at around 300,000 ha of forest area. One-hundred twenty-seven permits have been issued in all project areas, covering approximately 76,562 ha. The plan is to issue 374 permits for the remaining project areas of 225,935 ha. The criteria for selecting forest areas include intact vegetative/forest cover, land characteristics, sensitive environmental areas, protected species of flora and fauna. The project overall is expected to generate positive environmental and social impacts. This would be achieved through sustainable forest management and environmentally compatible agricultural and other livelihood activities that are intended to reduce the ongoing pressures for deforestation and forest degradation. Positive impacts include improved land tenure security and livelihoods for marginal communities, including indigenous people and forest dwellers, and improved management of high biodiversity, forest areas that are currently degraded. For Component 1 activities, there will be the indirect environmental and social impacts from the downstream activities (possible future community physical investments). For component 2 activities, the risks will be generated from the community activities in the locations with social forestry permits that may cause land conversion and may result in a reduction of forest coverage and generate negative biodiversity impacts due to improper land and forest management. Small-scale, localized negative environmental impacts may result from the small-scale community activities for land management (such as mulching, contouring, terracing; species enrichment, and natural regeneration); localized negative social impacts may involve poor or mistargeted participation (domination by elites and conversely, exclusion of women, indigenous minorities or other vulnerable groups), tensions or anxiety over changes to land/forest access or access to benefits from local economic development activities, if project activities are not handled appropriately. Social forestry entrepreneurship activities also have the potential of generating wastes (for example from producing traditional herbal medicine), the potential of increase in uncontrolled pesticide use for agricultural activities, the potential to develop silviculture or silvipastoral systems that do not support the ecological system in the related regions. Furthermore, there are potential environmental impacts from small to moderate civil works from the natural resources-based social forestry entrepreneurship implementation and investment capital utilization for social forestry businesses, however, the project will not finance any large-scale construction. Therefore, these activities are not expected to generate any large-scale, significant or irreversible environmental impacts, and may all be avoided or mitigated with due planning and effort.

To screen, assess and manage environment and social risks and impacts in the Strengthening of Social Forestry (SSF) in Indonesia project, two Social Forestry Assessments and an Environmental and Social Management Framework (ESMF) have been prepared. These are intended to be the instruments to analyze the environmental and social impacts from SSF activities, therefore the program could be designed to enhance the potential benefit (promote poverty reduction and biodiversity conservation, contribute to the government’s commitment to international conventions such as climate change, etc.), minimize the environmental and social impacts ensuring vulnerable groups are included as well as formulate alternatives and mitigation strategies. These are deemed to be adequate tools for this purpose as they offer a platform for consultation with a broad range of national and sub-national stakeholders, including potentially affected communities to integrate social and environmental concerns into the upstream policy-making process. The assessments outline the justification for the selected locations of SSF in 6 (six) regencies in Lampung, Sumatra Barat, Jawa Timur, Nusa Tenggara Barat and Maluku Utara, and the outcomes should reflect strategic relevance of SSF activities for these regencies and recommend measures to mitigate potential adverse impacts and leverage positive benefits that may accrue from the proposed activities. Several recommendations include strengthening social forestry policies, capacity building and intervention options to develop environmentally



and socially sustainable community-based business. This informs the SSF design and the basis of the ESMF, which guides the activities in the SSF project toward compliance with World Bank safeguards policies.

Cumulative impacts assessment (CIA) is not expected for several reasons. Firstly, given that CIAs are conducted in relation to effects generally recognized as significant enough to require an ESIA, which the project does not support, the need for CIA is unlikely. Sub-projects requiring AMDAL (ESIA) are in the negative list under the Project ESMF, as the local capacity and project resources are inadequate to support activities of the scale and nature that would require ESIA (and CIA). Furthermore, in the social forestry areas that this project will work, there are no identified parallel or overlapping investments from which localised cumulative impacts would be anticipated. The six KPHs (FMUs) selected for the project, are located in five different districts dispersed in 4 provinces, not concentrated in one area, and not where there are parallel or other major activities that may generate a significant cumulative impact at the local level.

The ESMF provides a framework, detailed procedure and code of practices to be followed by Directorate General of Social Forestry and Environmental Partnership (PSKL) to identify the environmental and social aspects and mitigation measures based on the likely magnitude of potential impacts. In the ESMF, several instruments have been prepared to anticipate the need to mitigate the potential impacts, which include: negative list screening; sub-project typologies; E&S impacts screening; TORs ESMP, ESA/UKL-UPL and SPPL; ECOPs; Guidance note on Integrated Pest Management; Chance Finds Procedure; SEP; Guidelines on FPIC; GRM; LARPF/PF; IPPF, EHS procedures for construction activities; Guidelines for HCV and EHS Reporting Tool. The ESMF also contains provision for effective downstream environmental and social assessment and management process for any future projects resulting from the TA, as needed. The ESMF will include guidance on the development of the ESMPs or ECOPs for each site and the requirement for necessary impact assessments to be carried out prior to sub-project implementation. This will also be included as a requirement of the ESCP.

In addition, a detailed Stakeholder Engagement Plan (SEP) has been developed to ensure stakeholders inclusiveness in the project and is included in the Environmental and Social Commitment Plan (ESCP). The ESMPs will be developed during project implementation given that sub-project activities will be identified during this phase. The TOR ESMP is provided in the ESMF to guide the ESMP preparation. During the project implementation, the project will: (i) hire dedicated staff including safeguards specialists; and (iii) conducted E&S training to ensure the PMU has the capacity to apply the relevant environmental and social instruments specified by the ESMF.

The draft ESMF was publicly disclosed on the MoEF official website ([http://www.menlhk.go.id/site/single\\_post/1858](http://www.menlhk.go.id/site/single_post/1858)) on February 8th, 2019. The final ESMF after Bank clearance will be disclosed in-country at publicly accessible locations and through the Bank's portal.

### ESS10 Stakeholder Engagement and Information Disclosure

The project involves a diversity of stakeholders from national to village level, with more complexity at the sub-national level, where government, forest management units, communities including indigenous peoples and private sector actors involved in the supply chain improvements for local agro- or non-timber forest products will need to be directly engaged to ensure project objectives are fulfilled. While the categories of stakeholders will be standard



across the sites (affected people and other interested parties), each location will have a different set of parties to map and engage, to ensure project activities, stakeholder roles, opportunities and means of participation are understood. The mapping of stakeholders, and identification of means for communication, to effectively inform and involve them (by category of activity), a plan for consultation and disclosure, as well as Grievance Mechanism (GM), has been documented in a Stakeholder Engagement Plan (SEP), prepared for the Project in parallel with the ESMF. Reporting to stakeholders will be proposed through various mechanisms including newsletters, MoEF website or periodic meetings, to be confirmed with stakeholder input during initial consultations.

The main groups targeted as beneficiaries of this project are: 1) local communities, as affected people, comprising forest dwellers and users, indigenous peoples, and those organized as forest user groups under the Social Forestry law, which may be arranged as farmer groups, cooperatives or other small enterprise entities; 2) facilitators of social forestry programs, working for Forest Management Units (KPH); and 3) the Forest Management Units (KPH) as a part of Ministry of Environment and Forestry, responsible for administering and managing local forest areas. Other beneficiaries include the Directorate General of Social Forestry and Environmental Partnership (DGSE/PSKL), Directorate of Environmental Partnership, Directorate of Customary Forest and Tenurial Conflict (PKTHA), Provincial Government Working Groups on Social Forestry and Kabupaten/Regency Working Groups.

To address complaints or grievances specifically pertaining to the implementation of the project, a mechanism has been established within the implementing arrangements (structure), with dedicated personnel to coordinate receipt, logging, and responses to aggrieved parties, including for reporting of grievances to the World Bank on a six-monthly basis. Analysis of grievances will be undertaken to provide responses in a time-bound manner or institutionalize changes on the part of the Ministry of Environment and Forestry (MoEF), or local implementation partners. The project has allocated resources for a grievance redress mechanism and has also provided support in developing skills and strengthening capacity at all levels in particular via the Social Forestry Task Force and Directorate of Customary Forest and Tenurial Conflict (PKTHA), Provincial Government Working Groups on Social Forestry and Kabupaten/Regency Working Group. These units currently operate at the national level and in some regions there is limited or no associated institutional system. Project activities to strengthen complaints handling and resolution of conflicts related to forest classification and uses are built in to Component 1. Through Component 1 activities, capacity for stakeholder engagement as well as grievance handling will be strengthened, whilst through Component 2, direct interaction with project stakeholders through community and village level activities will be guided by the SEP and GM, with particular effort through the FMUs in each project location.

During the ESMF preparation, consultation at the district level in November 2018-January 2019 included local community representatives and at the national level public consultation on February 18, 2019 included representatives of academia as well as NGOs and indigenous organizations including AMAN, cultural experts from BRWA (Adat Areas Registration Authority), TP2PS (Team for Acceleration of Social Forestry) and FKMM (Community Forestry Communication Forum). Inputs regarding assessment processes prior to activities being implemented, and on conflict prevention, have been incorporated into the ESMF and project design. Key inputs from the consultations include, among others, strengthening the demarcation of village boundaries to resolve land tenure issues through involvement of the Ministry of Villages; Social Forestry working group/facilitator focusing on pre-permit process and not post-permit support leading to the project design of delivering a business development model at the sub-project level, as well as capacity building programs for SF facilitators and also KPH/FMU management areas; provisions in the



project design for monitoring and evaluation given there is limited monitoring of issued SF licenses; and project design of increasing the involvement of women groups

## **B.2. Specific Risks and Impacts**

**A brief description of the potential environmental and social risks and impacts relevant to the Project.**

### **ESS2 Labor and Working Conditions**

Project preparation and implementation involves the employment of consultants, contracted field facilitators, advisors and also applies to community workers and primary supply workers. The later categories are more difficult to supervise, and project will have activities at the field level, with forest and village-based activities supported to restore degraded lands and improve local livelihoods. There is potential negative impact due to low capacity of community labor related to OHS practices that may lead to injuries, and risk of unequal pay being offered to female workers. Poor Occupational Health and Safety (OHS) procedures during the construction and operation of small-scale infrastructure may lead to detrimental effects on the health of workers. This also includes possible injuries from forest and agro-forestry management activities, e.g. accidents from using harvesting equipment and other tools. The site-specific ESMP will include safety and health management measures. Land clearing, planting, and associated physical labor can be anticipated to involve local community members as workers or self-employed land owners.

Seasonal workers and potential child labor related to family land and livelihood activities can be anticipated as children are often involved in family household income generating activities in Indonesia. As such, special provisions and clear disclosure of laws and working conditions needs to be made across all project sites, including special attention to ensure labor requirements (including equal pay for women and no child labour in project supported activities) are communicated to the site level, and systems are in place to protect the workforce, for example by providing consistent information and a Grievance Mechanism accessible to workers. Labor management procedures (LMP) will be prepared during project preparation to facilitate planning for the project and help identify the resources necessary to address the labor issues associated with the project and help identify the resources necessary to address the labor issues associated with the project. The LMP will be included in the Operations Manual, and a summary will be included in the Stakeholder Engagement Plan (SEP). The LMP will also be included in briefings to and in contracts with parties involved in Component 2 activities related to enterprise development.

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

The Project will contribute to the pollution prevention and management by implementing the enhanced forest management in buffer zones of critical protected areas (resulting in the conservation of biodiversity of global significance, mitigating GHG emission), and reducing degradation of lands (which in turn should reduce pollution loads in streams and rivers, especially turbidity and TSS). With regards to the use of pesticide, it will potentially increase due to potential activities in plantation area. The ESMF provided guidelines for pest management, equipment and training to address this risk. The Project will finance activities with prior assessment of the possible impacts and risks on environmental pollution from procuring goods and materials (such as fertilizers or other



chemicals), impacts on human health and safety and the possible construction impacts to the environment. In supporting village and district development planning, the PIU and facilitators will be equipped with improved capacity to ensure that the downstream environmental impacts of the social forestry business activities will be minimized, the resources will be effectively managed and the pollution will be prevented.

#### **ESS4 Community Health and Safety**

The Project will finance a variety of planning, capacity building, and on-the-ground interventions to promote the conservation and sustainable use of Indonesian forests. The associated environmental and social screening should be performed to assess the potential impacts and risks on community health and safety from construction activities, interactions between contractors and the local beneficiaries and affected communities and possible impacts related to ecosystem services. The assessment should take into account gender and vulnerability including any disproportionate impacts and risk on certain groups, as well as life and fire safety that includes the requirement to prepare emergency response plans for the activities. At this time significant community health and safety risks are unlikely. Nevertheless, impacts of activities such as log transport, more traffic, noise disturbance, water pollution, exposure to fertilizer, pesticides or waste, life and fire safety, which may occur locally and temporarily, during construction and operation, are addressed through generic management instruments and well-tested measures provided in the ECOP to mitigate risks to communities and environment.

#### **ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

Project will finance a variety of capacity building, community-based activities and on-the-ground interventions to promote the conservation and sustainable use of Indonesian forests. It will support the village forest management planning, development and implementation of community investments, and small and micro community enterprise development. Activities include support for mapping and demarcation including zoning of different uses. In this regard, there are potential implications for access to forest areas, changes in livelihood activities including hunting/gathering and food production patterns in the project locations. Whereas conflicts arising over land, tenure between social groups are addressed as social impacts under ESS1, potential issues arising out of land taking between government and others (farmers, IP etc), and/or any project activities requiring land outside of government land/forests, are considered under ESS5.

The project will not involve physical or economic displacement of people on a large scale (more than 200 people), nor the compulsory acquisition of land. However in sub-projects, there are potential cases where land acquisition and/or resettlement could happen on a small scale. A Negative List will screen out potential large scale land acquisition or resettlement at the sub-project level but with scope for these on a minor scale, defined as up to a threshold of 2000m<sup>2</sup> land area to be allowed for acquisition for sub-projects outside the forest estate.. Land acquisition outside the forest area may be proposed to support a social forestry enterprise, for example. Relocation of community livelihood activities or infrastructure in the PIAPS area may occur, allowable on a minor scale defined arbitrarily as affected less than 200 people and subject to ESS5 requirements for consultation, agreement and impact mitigation. Similarly, restrictions on the use of forest and land resources may be imposed as part of the forest groups' by-laws. If not carefully planned, these access restrictions may lead to loss of livelihoods for beneficiary and non-beneficiary



community members alike. In some cases, legacy land tenure conflicts surrounding the licensed state forest areas may exist at the outset of the project activities. Reasons for this may be (i) land tenure issues that have developed after the license has been granted; (ii) affected communities or people were not aware that a license has been granted to a neighbouring community; or (iii) affected people or communities do not have access to—or are not aware about—existing grievance redress mechanisms. These tenure issues may lead to groups or areas being excluded from project support and would need to be addressed at the inception phase of the project.

To mitigate these risks, GOI already established sets of guidelines and regulations for the mapping and demarcation process, including incorporating stakeholder input from public consultation process. The ESMF includes screening for project impacts, a negative list to ascertain high risk areas or activities to be avoided, and the early identification of indigenous or other vulnerable groups. Understanding the land uses and livelihood dependence on certain areas is a key part of the project activities, as the objective is to improve the degraded lands and develop sustainable livelihoods for targeted users or owners of the areas. The ESMF and annexed LARPF/PF identifies the need for baseline data, identification of impacted peoples and consultation at each site, to be documented in ESMPs and in site specific Land Acquisition and Resettlement Action Plans (LARAPs, RAPS or Livelihood Restitution Plans) where applicable. The Resettlement Policy Framework and Process Framework have been prepared to address ESS5 requirements.

#### **ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

No significant impacts on biodiversity and natural resources are expected as the project interventions themselves will be designed to be beneficial and sustainable from an environmental and social standpoint. Nevertheless, the requirement for biodiversity assessment and management plan will be screened through the ESMF and the ESA process. The project is to generate significant biodiversity conservation benefits through increased forest cover in severely degraded forest areas in buffer zones of and/or provide corridor between protected areas (e.g., dispersal and protection of core areas from encroachment). In addition, by engaging communities in enterprises development initiatives, the project expects to reduce conversion pressure on sensitive habitats. The project will finance a variety of planning, capacity building, and on-the-ground interventions to promote the conservation and sustainable use of Indonesian forests. The project will support sustainable forest management and environmentally compatible agricultural activities that are intended to reduce the ongoing pressures for illegal hunting, deforestation and forest degradation. Only agriculture that would address degradation and potentially not be expanded on secondary or primary forests/natural habitats within social forest lands will be supported and FMUs strengthened to oversee the proper implementation of sustainable livelihood activities in the Social Forestry areas. Also, plantation of potentially invasive species of crops and trees would be avoided or minimized through measures in the mitigation plan. As a precautionary approach, the assessment of potential impact to modified, natural, and critical habitats is mainstreamed into the annexes of the ESMF ( including in the training and awareness materials, negative list, Social Forestry permit holders' roadmap and management plan and monitoring mechanism.

When selecting the future generation projects, a provision shall be made that the future investment shall not finance a project that will cause significant conversion and degradation to modify, natural and critical habitats as part of the screening process. This screening process is included in ESMF based on natural habitat mapping and assessment in



the project areas with due consideration to potential cumulative impacts. The ESMF generated under the TA contains provisions for biodiversity assessment, management and conservation. Since the Project activities will take place in degraded forest lands within areas identified as important for biodiversity conservation, the specific reference should be made to the Directorate General of Conservation of Ecosystem Natural Resources (KSDAE) of MoEF (related to selection criteria concerning global biodiversity value) or to any other parties who manage the Agency of Natural Resources Conservation (BKSDA) or other concession area, protected areas for the protection to endangered flora and fauna species through a proper management of land tenure, community forest and other conservation and protection efforts. In the ESMF, impacts of project activities to biodiversity have been identified and instruments for mitigation have been prepared. The Client has also outlined some examples of SF activities that are related to biodiversity conservation. The Client will identify any CSOs/NGOs involved in the protection of specific endangered species through cooperation in conservation forest with FMU or community of private sectors. In supporting village and district development planning, the PIU and facilitators will be equipped with the capacity to ensure that the downstream impacts of the planning to biodiversity will be avoided.

#### **ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

The Project directly affects indigenous peoples as beneficiaries, involving them in forest mapping, demarcation activities, as well as in livelihoods development investments to enable their more secure and sustainable incomes from the natural resources they depend on. Some changes in access or use arrangements are likely to occur as a result of the project activities, for the benefit of the target groups including indigenous peoples. The project is therefore planned with careful reference to the Forest Investment Program (FIP), Agrarian Reform Acceleration project (OM) and Direct Grant Mechanism (DGM), which specifically target indigenous peoples, their resource use and livelihoods, thus providing lessons and guidance for SFF engagement and impact management related to indigenous groups. The institutional arrangements have been made in the IPPF/ESMF to ensure that the approaches to IP groups are consistent with ESS7 provisions and best-practices. The ESMF provides screening for impacts including identification of indigenous peoples by project site, as well as contextual information including the presence of relevant institutions, and history of any conflict in the area. The SEP also requires particular information on indigenous peoples and their institutions, who need to be engaged, informed and involved in project activities. An Indigenous Peoples Planning Framework (IPPF) is incorporated in the ESMF and includes an outline of an IPP, to be developed for sites as needed. The project will also establish a mechanism for free prior and informed consent (FPIC) with affected Indigenous Peoples and other forest dependent communities to promote community participation and meaningful engagement with affected indigenous peoples.

#### **ESS8 Cultural Heritage**

Stakeholder engagement activities will determine the relevance of ESS8 for the project, by enquiring and following up on any information about cultural heritage in the selected project areas. The presence of tangible cultural heritage may or may not be known in advance, and it is considered likely that intangible cultural heritage values - in particular natural features with cultural significance - exist in the the forest areas that the project will work in. Ceremony/ritual sites are the tangible heritage anticipated (unlike artefacts per chance finds procedure), and traditional ecological knowledge, use and practices related to natural resources and places are expected intangible heritage. As such,



awareness of cultural heritage is a requirement for those involved in the project, in particular the social forestry facilitators, and the chance find procedure has been included in the ESMF. The requirements of ESS8 may apply to intangible cultural heritage if a physical component of the project will have a material impact on cultural heritage. The Project does not plan to use any cultural heritage for commercial purposes.

**ESS9 Financial Intermediaries**

Not relevant; no financial intermediaries receive financial support from the Bank.

**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways** No

**OP 7.60 Projects in Disputed Areas** No

**III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)**

Public Disclosure

DELIVERABLES against MEASURES AND ACTIONs IDENTIFIED	TIMELINE
<b>ESS 1 Assessment and Management of Environmental and Social Risks and Impacts</b>	
<p><b>ORGANIZATIONAL STRUCTURE:</b>            Establish and maintain an organizational structure with qualified staff and resources to support management of E&amp;S risks, including the recruitment of full-time safeguards specialist (one environmental and one social) within the NPMU/PIU.</p> <p>The organizational structure, including the specialists, should be maintained throughout project implementation.</p>	03/2020
<p><b>ENVIRONMENTAL AND SOCIAL ASSESSMENT</b>            Prepare, adopt, and implement, the Environmental and Social Assessment (UKL-UPL or SPPL) for each sub-project in accordance with the screening criteria as per Environmental and Social Management Framework (ESMF) that has been prepared for the Project, in a manner acceptable to the Bank.</p> <p>Part of each sub-project preparation phase, prior to the commencement of each sub-project physical activities and to be performed throughout the project implementation.</p>	06/2020
<p><b>MANAGEMENT TOOLS AND INSTRUMENTS</b>            Screen any proposed subproject in accordance with the ESMF prepared for the Project, and, thereafter, draft, adopt, and implement the subproject Environmental and Social Management Plan (ESMP), as required, in a manner acceptable to the Bank.</p>	06/2020





<p>The ESMP could be derived from Environmental Management Procedures and/or Environmental Code of Practices (ECOP) and/or (UKL-UPL or SPPL) for project requiring this study by GOI regulation.</p>	
<p><b>MANAGEMENT OF CONTRACTORS</b>          Incorporate the relevant aspects of the ESCP, including the relevant E&amp;S documents and/or plans, and the Labor Management Procedures, into the ESHS specifications of the procurement documents with contractors. Thereafter ensure that the contractors comply with the ESHS specifications of their respective contracts.</p> <p>Prior to the preparation of procurement documents.          Supervise contractors throughout sub-project implementation.</p>	<p>06/2020</p>
<p><b>ESS 10 Stakeholder Engagement and Information Disclosure</b></p>	
<p><b>SEP PREPARATION:</b>          Review on an annual basis the Stakeholder Engagement Plan (SEP) prepared during preparation; update SEP as needed and ensure each project site has an active engagement process with documentation with regards to SEP implementation.</p>	<p>03/2020</p>
<p><b>PROJECT GRIEVANCE MECHANISM:</b>          Develop and implement the arrangements for the grievance mechanism, per ESMF and any specific procedures for sub-groups such as Indigenous Peoples. Ensure records of grievances are maintained, analyzed and reported.</p>	<p>03/2020</p>
<p><b>ESS 2 Labor and Working Conditions</b></p>	
<p><b>LABOR MANAGEMENT PROCEDURES</b>          Develop and implement labor management procedures (LMP), with clear information for contractors &amp; communities regarding minimum payments, no child labor, workplace safety requirements &amp; GRM for workers</p>	<p>03/2020</p>
<p><b>GRIEVANCE MECHANISM FOR PROJECT WORKERS</b>          Establish, maintain, &amp; operate a grievance mechanism for Project workers to refine what has been included in the ESMF, as described in the LMP consistent with ESS2. Site specific grievance log to be recorded.</p>	<p>03/2020</p>
<p><b>OCCUPATIONAL HEALTH AND SAFETY (OHS) MEASURES</b>          Prepare, adopt, and implement occupational, health and safety (OHS) measures specified in the ESMP.</p> <p>Prior to the commencement of each sub-project physical activity.</p>	<p>06/2020</p>
<p><b>ESS 3 Resource Efficiency and Pollution Prevention and Management</b></p>	



MANAGEMENT OF WASTES AND HAZARDOUS MATERIALS Develop and implement measures for wastes and hazardous materials management (including pesticides) resulting from agro-forestry and construction activities (if applicable) under the ESMP.	06/2020
<b>ESS 4 Community Health and Safety</b>	
TRAFFIC AND ROAD SAFETY Adopt and implement measures and actions to assess and manage traffic and road safety risks as required in the ESMP.  Prior to the commencement of each sub-project physical activity.	06/2020
COMMUNITY HEALTH AND SAFETY Prepare, adopt, and implement measures to manage risks and impacts to the community arising from Project activities related to use of pesticides, fire prevention and management and emergency response under the ESMP.	06/2020
<b>ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement</b>	
RESETTLEMENT PLANS (RAPs) Prepare, adopt, and implement RAPs in accordance with ESS 5 & consistent with the requirements of the RPF that has been prepared for the Project, & thereafter implement RAPs in a manner acceptable to the Bank.	06/2020
GRIEVANCE MECHANISM Develop and implement the arrangements for the grievance mechanism for resettlement that are described in the RPF, RAPs and SEP.	06/2020
<b>ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources</b>	
BIODIVERSITY RISKS AND IMPACTS Align Peta Indikatif dan Areal Perhutanan Sosial (PIAPS) with Village Spatial Planning through meaningful public consultation with stakeholders at the regional level, with adequate timeline and verified participants.	06/2020
BIODIVERSITY MITIGATION MEASURES Develop and implement measures and actions to assess and manage risks and impacts on biodiversity including identification of different types of habitat through the ESMP for each sub-project.	06/2020
<b>ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities</b>	
INDIGENOUS PEOPLES PLAN Prepare, adopt, and implement Indigenous Peoples Plans (IPPs) for each site where there are impacted indigenous peoples, consistent with the requirements of the IPPF and ESS7 in a manner acceptable to the Bank.	06/2020



GRIEVANCE REDRESS MECHANISM: (GRM) Prepare, adopt, & implement arrangements for the GRM for indigenous people, as required under IPPF & further describe the same in the respective IPPs (if the GRM is distinct from the one described under ESS10.	06/2020
GRIEVANCE MECHANISM: Develop and implement the arrangements for the grievance mechanism (GM) for indigenous people (if needed due to language and access issues that are particular to an indigenous group).	06/2020
<b>ESS 8 Cultural Heritage</b>	
CHANCE FINDS Prepare, adopt, and implement the chance finds procedure described in the ESMP developed for the Project.	06/2020
<b>ESS 9 Financial Intermediaries</b>	
Not Applicable	

**B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts**

**Is this project being prepared for use of Borrower Framework?**

No

**Areas where “Use of Borrower Framework” is being considered:**

The project will not undertake a Borrower’s E&S framework assessment to replace certain aspects of WB requirements of the ESSs. All WB requirements will be applied as per the relevant ESSs.

**IV. CONTACT POINTS**

**World Bank**

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**Borrower/Client/Recipient**

Borrower: Ministry of Finance (MOF)

**Implementing Agency(ies)**

Implementing Agency: Ministry of Environment and Forestry (MOEF)

**V. FOR MORE INFORMATION CONTACT**



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## VI. APPROVAL

Task Team Leader(s): Dinesh Aryal

Safeguards Advisor ESSA Peter Leonard (SAESSA) Concurred on 07-Feb-2020 at 05:21:37 EST