

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.:

Project Name	
Region	EAP
Sector	Environment and Rural
Project ID	P124583
Borrower(s)	The Government of Indonesia
Implementing Agency	Ministry of Forestry
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	April 1, 2010
Estimated Date of Appraisal Authorization	NA
Estimated Signature Date	May 2011

I. Key development issues and rationale for Bank involvement

Indonesia is confronted with serious environmental issues including rapid deforestation, illegal logging, forest fires, and peat-land degradation, which cause elevated levels of greenhouse gas emissions (GHG) emissions. These problems result in global and local social and environmental impacts, undermine the long term revenue generation potential of the resource base, and undermine community livelihoods. The Forest Carbon Partnership Facility (FCPF) assists developing countries in their efforts to reduce emissions from deforestation and forest degradation (REDD). Indonesia was one of the first countries to request support from the FCPF to build its capacity to reduce emissions from deforestation and forest degradation and to tap into any future system of positive incentives for REDD.

The proposed FCPF Grant is line with the Indonesia's FY09/12 Country Partnership Strategy, particularly with Core Area of Engagement 5 (Environmental Sustainability and Disaster Mitigation).

II. Proposed objective(s)

The Development Objectives of this grant is to contribute to the development of Indonesia's capacity to design a sound national REDD+ strategy, develop national and sub-national reference scenarios and a measurement, reporting and verification system, consistent with local/regional and national conditions and circumstances.

As such these PDO would be monitored through the following indicators:

- i. A SESA is prepared and endorsed by national stakeholders including competent government agencies;
- ii. conditions and circumstances impacting the National Reference Scenario are quantified and discussed with relevant stakeholders; and

- iii. studies on drivers of deforestation, revenue sharing options and investment options, that further strengthen the National REDD + strategy, are prepared and endorsed by the Government, after discussion and validation by stakeholders.

The FCPF grant will finance a subset of the overall financial and technical inputs required for Indonesia to reach REDD readiness. Additional inputs will be provided by other Donors and the Government of Indonesia with which the FCPF Grant will actively cooperate. More than 60 REDD Demonstration Activities are currently being developed by bilateral donors, NGOs and private companies. A number of donors are contributing to the readiness process. To provide some examples, the Norwegian Government with a total of US\$ 1 billion, supports among other activities, the preparation of the REDD+ Strategy and the implementation of the REDD+ agency. The Australian Government supports primarily the Carbon Accounting System and some demonstration activities; UN-REDD is financing consultation, outreach and information sharing processes and demonstration activities on the ground. Given the existing and planned support for Indonesians readiness activities and the size of Indonesia, the Government asked the FCPF Grant to focus on a limited number of activities that have not yet covered by other donors.

Key Results

- 1) Understanding and awareness of drivers of deforestation and degradation and of strategies to address them is improved; assessment of priority investment options to reduce deforestation and forest degradation is available; activities within the country that result in reduced emissions and increased removals, and stabilization of forest carbon stocks are assessed; and understanding of the status, gaps and capacity building needs for the implementation of national REDD+ framework is improved.
- 2) Existing REDD+ regulations are assessed; and the capacity of REDD+ related institutions is increased; awareness and ownership of the readiness process is increased through consultation and outreach; capacity of stakeholders, including indigenous peoples, to participate in policy development processes is strengthened; and an Environmental and Social Management Framework focussing on potential future REDD+ Demonstration Activities is available;
- 3) Understanding of terrestrial carbon cycles of different land uses is improved; a time-series analysis of the primary social economic and policy aspects of land use change is available; and Permanent Sample Plots (PSPs) lead to an increased certainty in GHGs estimates from REDD+ in various forest types in selected areas.
- 4) New data on REDD+ potential in selected provinces is generated; capacity to set up REDD+ frameworks and implement REDD+ programs in selected subnational locations is improved (locations: South Kalimantan, West Papua, South Sulawesi, Musi Rawas District-South Sumatera, NAD).

C. Project Description [from section 3 of R-PP Assessment Note]:

The national REDD+ readiness process consists of a number of activities that address issues related to REDD+ readiness in Indonesia. The overall amount of funding needed to address capacity building for REDD+ in Indonesia was estimated at US\$ 18 million in 2009 in the Indonesian R-PP. This did not include the establishment of new agencies and other activities

envisioned under the Norway LoI, which is moving toward implementation. The activities identified in the grant agreement are a subset of an overall readiness effort laid out in the Readiness Plan, which was presented to the FCPF in June 2009.

Indonesia's REDD readiness planning is supported by UNREDD (\$6 million) and the AUSAID Indonesia Australia Forest Climate Alliance (\$30 million). Both programs have been operational since 2009 and are mostly concentrating their activities on (i) MRV and Reference Emission Level setting, (ii) subnational readiness activities and (iii) outreach and communication. Additionally, Norway's Forest Climate Initiative and Letter of Intent provides \$30 million in Phase 1 of a three-part results based program. As part of the commitment under the Norway Letter of Intent, the REDD Task Force is asked to coordinate the preparation of the REDD+ Strategy. FCPF will therefore only support strategic analytical inputs and a consultative process, but not the entire REDD initiative. Given the multiplicity of actors and the small size of the FCPF grant compared to other efforts, the FCPF grant cannot be held responsible for the entire national REDD strategy, but should be seen as a contributor of specific inputs into a broader multi-donor, multi sectoral dialogue and development process.

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

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

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

The program has four main components:

- (i) Analytical Work including the study of the causes of deforestation and of investments and other interventions needed to reduce deforestation and greenhouse gas emissions.
- (ii) Support to Readiness Process. This component will include: the assessment of recent and new REDD+ relevant regulations; capacity building of institutions and stakeholders; a quick assessment of revenue sharing options; ; a large subcomponent of consultation and outreach

to cover all actors including Indigenous Peoples; and the completion of a Strategic Environmental and Social Assessment (SESA) and the preparation of an Environmental and Social Management Framework (ESMF).

(iii) Assessment and measurement of GHG impacts of land use change. This component will study and measure the effect of land use change on carbon stocks, will develop time series of land use change, and will support a system to monitor carbon stocks at the ground level.

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

The readiness preparation phase is meant primarily for technical assistance and capacity building activities, with the objective of preparing Indonesia for potential future REDD investments. The grant will not finance any implementation of REDD activities on the ground (investments, or pilot/demonstration activities). The critical elements of this grant agreement include the preparation of elements for a REDD+ strategy and contributions to options for a benefit sharing system, which will have potential social and environmental impacts. The impacts may be positive for certain groups or certain locations, but may also be negative for others.

The TORs of studies financed under the Grant will include provisions to follow Bank policy requirements on Environmental Assessment, Natural Habitats, Physical Cultural Resources, Involuntary Resettlement and Indigenous People as appropriate.

Although the program itself does not involve REDD+ projects, a preliminary assessments indicated that a number of World Bank safeguards policies may be triggered by future REDD+ related activities in Indonesia. A Strategic Environmental and Social Assessment (SESA) will be conducted as part of the Readiness process to assess potential impacts from national REDD+ interventions, formulate alternatives and mitigation strategies and enhance the decision-making process around the design of the national REDD+ framework. as one of the results of the SESA an Environmental and Social Management Framework (ESMF) will be prepared, which will guide potential future investments in REDD+ Demonstration Activities, toward compliance safeguards policies.

The Grant will be supported by a significant consultation and outreach component. This component will cover a wide range of stakeholder consultations at various locations, and build on the REDD+ consultation process that the GoI is already implementing. The objective of consultations will be to achieve the stakeholders' effective participation in relevant analytical work financed under the FCPF Grant. Consultation will allow the integration of stakeholder inputs, including inputs from Indigenous People, into the Grant's analyses and recommendations. The principle used in consultation will be "free prior and informed consultation leading to broad community support". Consultations will be inclusive, conducted in local languages as appropriate, and will allow for enough time for community reaction. Consultations will be conducted with regional/local organization, with national legitimate IP organizations such as AMAN, as well as with a sample of IP communities on key issues. A strategy for consultations with IP/forest-dependent communities shall be developed, either as an integral part of SESA ToR

or as a separate plan, to ensure that legitimate representatives of Indigenous Peoples and other forest dependent communities will participate meaningfully in all discussions regarding matters that may affect them, including, for example, the revenue/benefit sharing mechanisms.

III. Safeguard Policies that might apply

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

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	[x]	[]	
Natural Habitats (OP/BP 4.04)	[x]	[]	
Pest Management (OP 4.09)	[]	[]	[x]
Physical Cultural Resources (OP/BP 4.11)	[]	[]	[x]
Involuntary Resettlement (OP/BP 4.12)	[x]	[]	[]
Indigenous Peoples (OP/BP 4.10)	[x]	[]	[]
Forests (OP/BP 4.36)	[x]	[]	
Safety of Dams (OP/BP 4.37)	[]	[x]	
Projects in Disputed Areas (OP/BP 7.60)*	[]	[x]	
Projects on International Waterways (OP/BP 7.50)	[]	[x]	
Piloting the Use of Borrower Systems to Address Environmental and Social Issues in Bank-Supported Projects (OP/BP 4.00)	[]	[x]	

IV. Tentative financing

Source: FCPF	(3.6\$m.)
Total	3.6\$m

V. Contact point

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* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

VI. For more information contact:

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