

Cover Page for Project/Program Approval Request

1. Country/Region:	Indonesia	2. CIF Project ID#:	(Trustee will assign ID)
3. Source of Funding:	<input checked="" type="checkbox"/> FIP	<input type="checkbox"/> PPCR	<input type="checkbox"/> SREP
4. Project/Program Title:	Community-focused Investments to Address Deforestation and Forest Degradation		
5. Type of CIF Investment:	<input checked="" type="checkbox"/> Public	<input type="checkbox"/> Private	<input type="checkbox"/> Mixed
6. Funding Request in million USD equivalent:	Grant: USD 17million		Non-Grant:
7. Implementing MDB(s):	Asian Development Bank (ADB)		
8. National Implementing Agency:	Ministry of Environment and Forestry (MOEF) Contact: Dr. Apik Karyana Directorate General of Social Forestry and Environmental Partnership, MOEF, Gedung Manggala Wanabakti, Jl. Gatot Subroto, Blok 1, Jakarta, Indonesia Email address: akaryana@yahoo.com		
9. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point:</i> Dr. Ancha Srinivasan Principal Climate Change Specialist, Southeast Asia Department, ADB		<i>TTL:</i> Dr. Ancha Srinivasan Principal Climate Change Specialist, Southeast Asia Department, ADB
10. Project/Program Description (including objectives and expected outcomes):			
<ul style="list-style-type: none"> • Deforestation, forest degradation and peat decomposition account for up to 15% of greenhouse gas (GHG) emissions globally and up to 60% in Indonesia. The annual emissions from deforestation and forest degradation in Indonesia are estimated to be between 320 and 430 million tons of carbon dioxide equivalent (CO₂e) while the average annual forest loss varied from 1.87 (1990-1996) to 0.8 million hectares (2007-2014). Continued deforestation and forest degradation depletes key ecological functions for agriculture, which would particularly affect the rural poor and reduce their resilience to climate change. Efforts to reduce deforestation and forest degradation and promote sustainable forest management (SFM) are, therefore, critical to address climate change and promote sustainable development in Indonesia. • In its “Intended Nationally Determined Contribution (INDC)” to the United Nations Framework Convention on Climate Change (UNFCCC) in September 2015, the Government of Indonesia (GOI) pledged to cut emissions by 29% from business-as-usual levels by 2030 with domestic resources, and by 41% with international support. As forests cover 70% of Indonesia’s land area and forest-related GHG emissions are expected to be at least 50% in the foreseeable future, the INDC targets can be achieved only by protecting its forests. To achieve GHG reduction targets, the State Ministry of National Development Planning (BAPPENAS) has developed an action plan, and set emission reduction targets for each sector, including forestry. The GOI has committed to protect as much as possible of the remaining natural forests and to restore all degraded forest land. • The proposed project forms part of Indonesia’s forest investment plan supported by the Forest Investment Program (FIP) and will complement the two projects administered by the World Bank (WB) and the International Finance Corporation (IFC). The development objective of the investment plan is to reduce barriers to sub-national REDD+ implementation and to increase provincial and local capacity for REDD+ and SFM. In line with this overall objective of the investment plan, the project aims to reduce barriers for sub-national REDD+ implementation, especially in West Kalimantan Province of Borneo Island. 			

- West Kalimantan, with a mean deforestation rate of 132,500 hectares (ha) per year between 2001 and 2012, is one of the top five provinces contributing to Indonesia's GHG emissions. Forestry plays an important role in province's economic development and environmental sustainability. The province has the highest poverty rate in Kalimantan, with many poor people living in remote areas, with limited access to services and over-reliance on natural resources. Within the province, the districts of Sintang and Kapuas Hulu hold the second and third largest state forest area. In view of high potential for reducing GHG emissions and poverty, the province of West Kalimantan and the two districts of Kapuas Hulu and Sintang have been selected as target areas.
- There are two dominant groups of customary communities in project areas, the Dayak and the Melayu. Most Dayaks live in villages and hamlets while the Melayu are concentrated along rivers and around the Danau Sentarum National Park. These groups generally lack opportunities and resources that can allow them to escape poverty and are unable to adopt improved production and processing of wood and non-wood products and access markets. They suffer disproportionately from food shortages, insecurity of land tenure, and low levels of education and organization.
- The key drivers of deforestation and forest degradation in the province are: (i) commercial logging; (ii) conversion of forest to agriculture; (iii) mining (primarily coal and gold); and (iv) uncontrolled fires. The underlying causes include: (i) inconsistent and inadequate spatial planning (due to limited accurate data to inform regional spatial plans), (ii) unclear land use rights and conflicts, and (iii) weak governance, leading to a continued depletion of forest assets and eroding livelihoods of local communities. Risk of forest fires in the province is elevated especially during prolonged warm periods, promoting easier ignition and faster spread. In 2015, for example, massive forest fires occurred due to high temperatures and El Nino-induced drought.
- Using the Forest Management Unit (FMUs) as the entry point, the project will address key drivers of deforestation and forest degradation in five FMUs in Kapuas Hulu and Sintang districts of West Kalimantan province, by giving local communities due recognition in forest management and providing them with ecosystem and livelihood benefits through conservation and SFM opportunities. The project will invest in community-focused REDD+ activities (e.g., community-assisted forest regeneration and maintenance, community-based forest fire management, community-led land use planning and monitoring, community-based ecotourism), and strengthen capacity of district and provincial governments in West Kalimantan. In addition the project will provide policy support to harmonize sub-national policies for REDD+ with national policies, and establish non-monetary incentives, safeguard systems and gender-responsive benefit sharing arrangements. The project will therefore create an enabling environment for operationalizing better management of forests through improved local community participation and spatial planning.
- The project aims to bring about transformational changes in the way REDD+ is implemented at subnational level in project areas. Transformational impact is expected in institutions (e.g., FMUs), policies (e.g., clarification of access to resources through spatial mapping), technologies (e.g., use of satellite imagery, advanced communication systems, fire prevention systems), and behavior of stakeholders (e.g., local communities, private sector with regard to protection of natural forests).
- The expected project impact will be increased environmental and livelihood benefits in project areas. The outcome will be improved REDD+ implementation in project areas of West Kalimantan province. The project has three outputs listed below to address barriers at district, province and national levels, fully recognizing that the three levels need to integrate their efforts in order to realize an effective and efficient implementation of REDD+.
- **Output 1: Community-focused and gender-responsive REDD+ pilots in Kapuas Hulu and Sintang districts implemented.** The project will establish REDD+ pilots in 17 villages of five FMUs in Kapuas Hulu and Sintang districts, including the national parks of Betung Kerihun and Danau

Sentarum. Key focus is on conserving areas with high carbon stocks and restoring forest cover in areas with highest potential for climate and development benefits from carbon sequestration, and conservation of soil, water and biodiversity. The activities include: (a) rehabilitating 6,000 ha of degraded land through community-based assisted natural regeneration, (b) bringing 1,880 ha of deforested land under improved community-based agroforestry systems (e.g., rubber and coffee, gaharu and coffee), (c) formulating community-based forest management (CBFM) agreements between villages and FMUs to cover about 17,000 ha, securing the management rights and use of the land by local communities, (d) protecting 5,000 ha of natural forests directly and 91,000 ha indirectly from fire through community-based forest fire management, (e) strengthening REDD+ monitoring and safeguards information systems, (f) developing spatial and business plans for FMUs, which are aligned with CBFM plans, and (g) strengthening capacity of FMU staff and local communities, including women, on REDD+ safeguards, SFM, conflict mediation and payment for ecosystem services. The activities are expected to enhance FMU management, with pervasive engagement of local communities in planning and implementing forest management activities.

- Land boundaries will be established jointly by community members and FMU staff when developing the management plans. Clear land boundaries and rights to use land are important tools to restrict and avoid the use of land categorized as forest into other land use, reducing in this way agricultural expansion and avoiding issuance of concessions for other land use. Close involvement of local communities is expected to increase their ownership of the land and care for natural resources.
- Community-based fire management activities will be supported in the Danau Sentarum National Park that has frequent forest fires (protecting 130,000 ha) and in two villages outside the Park in Kapuas Hulu district. Activities include training of patrol groups and providing them with equipment for fire suppression. Increasing the number of people involved in patrolling is expected to reduce the probability of fire and will also serve as an early warning system. One of the economic activities present in the project area is honey collection from natural honeycombs in the forest after expelling the bees by using smoke from make-shift fires. As a result, remaining natural forest is degraded and uncontrolled fires occur from untended smokers. With the project, fire will be prevented and natural forest protected with the implementation of beekeeping in cages and honey harvesting techniques that do not use fire. Uncontrolled fires also result from fish-drying techniques using fire, as is commonly practiced locally. The project will support the production of freshwater fish and new practices for drying fish that do not use fire.
- The activities will be implemented with full and effective participation of all relevant stakeholders, including local communities and women. The production and commercialization of non-timber forest products (NTFPs), such as honey (beekeeping and bee harvesting), fresh water fish, kemiri sunan (*Reutelais trisperma*) and dragon fruit (*Hylocereus spp.*) in home gardens, handicrafts, community-based eco-tourism, latex from rubber plantations (*Hevea brasiliensis*), gaharu (*Aquilaria spp.*) and coffee (*Coffea arabica* and *C. canephora*) depending on local needs and priorities are expected to reduce pressure on forests by providing alternative livelihood to local communities. Such alternative livelihood activities are expected to increase the general well-being of the communities, contributing to their economic resilience as well as resilience to climate-related events (such as droughts) through a more diverse production system, and a lower dependency on forest resources.
- The activities under this output, where appropriate, will coordinate with activities under the ADB Technical Assistance on Sustainable Forest and Biodiversity Management in Borneo, and under the FIP Dedicated Grant Mechanism for Indigenous Peoples and Local Communities for Indonesia, which aims to support capacity and institutional building aspects, to enable local communities to participate in REDD+ policy dialogues and pursue SFM based on their customary practices.

- **Output 2: Provincial REDD+ strategy in West Kalimantan effectively implemented.** This output will identify and address barriers for effective implementation of the provincial strategy for REDD+ in West Kalimantan. Key activities include: (a) strengthening the capacity of provincial staff to understand REDD+ concepts including carbon accounting, monitor and report REDD+, prepare FMU business plans, and draft REDD+ regulations and SFM guidelines, (b) establishing and linking province-wide grievance and benefit sharing mechanisms with FMUs and national systems, (c) creating a provincial REDD+ monitoring and safeguards information system, including REDD+ activity registry, and (d) establishing a grievance redress mechanism on tenure and REDD+.
- The provincial REDD+ regulations will be drafted to be in line with national legislation while considering local conditions in the FMUs. The drafting process will involve consultations with stakeholders at the provincial, FMU and district level. Close coordination with the FMU will ensure the proper registration of information coming from the field into the provincial system. Information at the province level will be updated in real time from the FMU. Special attention will be given to information generated by the Indonesia National Carbon Accounting System and the results coming from REDD+ pilots in central Kalimantan. Regarding the safeguards information system, the project will adapt the Safeguard Information System for REDD+ developed at the national level. Province-wide workshops, exchange visits, and training programs will be conducted.
- The design of the provincial grievance redress mechanism will include tenure conflict management guidelines. Workshops on tenure conflict management will be given to local staff. The mechanism will ensure a culturally appropriate process to receive and address REDD+ related concerns. The designing process will include participation of and consultation with customary community members and representatives as well as local NGOs and other relevant stakeholders.
- **Output 3: Sub-national fiscal policies on REDD+ harmonized with national policies.** Key activities under this output include: (i) analyzing fiscal policies for effective integration of natural capital considerations to provide policy guidance to national and sub-national governments, (ii) conducting policy dialogues to assess gaps and identify remedial measures in fiscal, monitoring and benefit sharing policies and West Kalimantan forest industry strategy, and identify measures for effective harmonization of policies, and (iii) identifying funding sources for REDD+ implementation and conduct training to prepare proposals to extend the scope, area and/or time frame of the proposed project.
- Current systems primarily reward the production of marketed commodities, but not the provision of non-marketed natural capital or ecosystem services. Placing natural capital into a broader decision-making context and changing incentive structures can help effect large-scale transformations in policies, practices, and investments, and may drive deep, systemic change for sustainability. Therefore, the project will disseminate lessons and success stories from other countries (e.g., Belize, China, Costa Rica, UK) in terms of integrating natural capital considerations in fiscal policies to facilitate policy dialogue at provincial and national levels in Indonesia.
- **Project beneficiaries:** The direct beneficiaries of the project will include communities living in and adjacent to five FMUs accessing project funds and technical assistance. For these communities, the project will support alternate livelihood options, improve clearer access to the forest resources, and enhance capacity to participate in decision making on management of forest resources in their locality. The government staff at the FMU, district, province and national levels will benefit from clearer regulations and enhanced capacity to implement REDD+ and SFM.

11. Consistency with Investment Criteria:

(a) Climate change mitigation potential:

- A detailed analysis was undertaken to estimate GHG emissions from forest lands under a business-as-usual scenario. Medium-resolution satellite imagery covering the two districts was analyzed over 6 observation points during the 2000-2012 baseline period. The satellite imagery was combined with nationally-appropriate data sets, such as the draft National Forest Reference Emission Level of Indonesia for submission to UNFCCC, Technical Guidelines for GHG Reporting in the AFOLU sector of Indonesia, Land Cover Mapping of the Ministry of Environment and Forestry, FMU level historic forest fire emission data from the National REDD+ Agency, and selected references on timber extraction in Kalimantan and carbon sequestration of Rubber Agroforestry systems. Use of these resources ensures that the estimates are comparable to those from other areas in Indonesia. The estimates are produced for the period 2017-2026, the expected lifetime of the investment.
- From the estimate of land cover change on the basis of satellite imagery over the baseline period of 2000-2012 and national data on biomass content for different land cover types, a business-as-usual forecast was made for a period of 10 years from 2017 to 2026: the GHG emissions without the project are estimated to be 12.4 million tons of carbon dioxide equivalent (MtCO₂e).
- The project interventions are expected to reduce the pressure on the forest leading to a lower incidence of deforestation and forest degradation, restoration of forest cover over 6,000 ha of currently degraded land, and a reduction in the extent of forest fires. Cumulatively, these expected GHG emissions with the project are estimated to be 8.7 MtCO₂e. Therefore, a conservative estimate of the impact of the project results in a reduction in GHG emissions relative to the BAU scenario of 3.7 MtCO₂e over the period 2017-2026 (conservative in the sense that the success-rate of activities is taken to be around 70% of potential impact).

Table 1: GHG Emissions and Incremental Reduction
(‘000 tCO₂e)

Project Year	1	2	3	4	5	6	7	8	9	10	Total
Without-Project											
Emissions Sources											
Deforestation	484	484	484	484	484	484	484	484	484	484	4,843
Degradation	11	11	11	11	11	11	11	11	11	11	112
Forest fires	745	745	745	745	745	745	745	745	745	745	7,446
Total Carbon Emission	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	12,401
With-Project											
Emissions Sources											
Deforestation	436	421	407	392	378	363	349	334	320	305	3,705
Degradation	10	10	10	9	9	9	9	8	8	8	90
Forest fires	596	588	581	573	566	558	551	544	536	529	5,622
Carbon Sequestration											
Assisted natural regeneration	-22	-45	-67	-67	-67	-67	-67	-67	-67	-67	-605
Agroforestry	-2	-5	-8	-12	-16	-20	-20	-20	-20	-20	-141
Total Carbon Emission	1,017	970	922	896	870	844	821	799	777	755	8,671
Incremental Reduction											
Reduction from Prevention Activities											
Avoided deforestation	48	63	77	92	107	121	136	150	165	179	1,138
Avoided degradation	1	1	2	2	2	2	2	3	3	3	21
Avoided forest fires	149	156	164	171	179	186	194	201	208	216	1,824
Carbon Sequestration											
Assisted natural regeneration	22	45	67	67	67	67	67	67	67	67	605
Agroforestry	2	5	8	12	16	20	20	20	20	20	141
Total Incremental Reduction	223	270	318	344	370	396	419	441	463	485	3,730

(b) Demonstration potential at scale:

- The project will demonstrate REDD+ activities in five FMUs, including supporting the establishment of a planned FMU, with different priorities (production, conservation). It will demonstrate specific activities to strengthen FMU policies and procedures aimed at community participation in all aspects of forest management from planning to benefit sharing. These activities will benefit that adoption of REDD+ initiatives at scale beyond the 5 FMUs immediately targeted by the project.
- The GOI has committed to establishing 600 FMUs, of which 340 are expected to be operational by 2020. The project is designed to demonstrate what can be done with effective FMUs in terms of spatial planning, business plan development, provision of alternate livelihoods and access to natural resources for local communities, and effective involvement and empowerment of local communities in conservation and protection of forest resources. Successful practices identified in five FMUs can be replicated in other FMUs of West Kalimantan and in other provinces of Kalimantan.
- At district and provincial level, the critical sub-national structures for REDD+ implementation will be given attention, ranging from technical elements such as monitoring, reporting and verification (MRV) and SIS, to enabling regulatory and institutional conditions such as a grievance redress mechanism that is responsive to cultural identities and customs. At national level a small number of activities will be undertaken, all of which focus on embedding the novel approach to forest management at FMU level in national policies and regulations, fostering sustainability by moving “REDD+” into the mainstream forest management policies.
- Alignment with the FIP projects by World Bank and IFC will ensure that lessons-learned are integrated both ways. The World Bank project is particularly relevant in this context, as it is centered on building FMU policies and capacity for adoption throughout the whole FMU program of Indonesia. Alignment with the IFC project ensures that forest industry requirements are adequately considered, such as provision of an adequate supply of timber; while the forest industry will be appraised of the specifics of forest management at FMU level following REDD+ requirements.
- The project forms part of overall regional cooperation under the “Heart of Borneo” initiative, which is a trans-boundary effort between Brunei, Indonesia and Malaysia to enable conservation and sustainable development that improves the welfare of those living on the island of Kalimantan while minimizing deforestation, forest degradation and the associated loss of biodiversity and ecosystem services. Best practices from the project can be demonstrated in Malaysia and Brunei as well.

(c) Cost-effectiveness:

- Cost-benefit analysis showed that the project is economically viable. Three benefit categories were quantified and assessed: (i) GHG emission reduction, (ii) improved ecosystem services, (iii) incremental increase in income for communities from agroforestry and other livelihood interventions. The economic internal rate of return (EIRR) is estimated at 11.8% over 10 years, without accounting for GHG emission reductions. This is slightly less than the 12% threshold but it is a conservative estimate considering that project's benefits extend well beyond the 10-year period. However, if GHG emissions are valued at \$10/tCO₂e, the project yields a high EIRR of 45.2% over 10 years (Table 2). The sensitivity analysis showed that the project benefits and returns are modest but robust.
- A financial and sustainability analysis was conducted from both perspectives of the government and local communities. From the perspective of the government, the financial sustainability of the project was assessed by comparing the incremental recurrent costs (considered to be 2% of capital cost per annum) with the budget allocation available to cover those costs. Since MOEF has substantial capacity to cover these recurrent costs, the project is considered financially sustainable. In addition,

sustainability is assured through provincial regulations, which secure payments for ecosystem services to partially cover the recurrent cost of protection and enforcement. Agroforestry and community rubber plantation will also raise additional tax revenues to be channeled for forest protection, as specified in Resource Provision Levy of the government.

- From the local communities' perspective, the potential internal rates of return for land-based interventions range from 20.2% to 32.1%. On an incremental basis, the livelihood interventions are expected to increase total household income by \$6.9 million in present value in the project districts. It is important to note that the project yields other benefits that could not be monetized. They include: (i) sound REDD+ models for forest management, (ii) strengthened institutional and human capacity in SFM and biodiversity conservation, and (iii) increased ownership and involvement of local communities in protection and conservation of forest resources against forest fires and encroachment.
- The expected GHG emission reduction from the investment over a period of 10 years is 3.7 MtCO₂e, yielding a unit price of \$4.59/tCO₂e over the total investment. When considering only the effective investment (excluding the project management costs) the unit price is \$3.68/tCO₂e. This compares favorably to the current market price for emission reductions from forestry projects. It should be noted, however, that the investment will lead to further GHG emission reductions beyond 10 years because some of the interventions have a longer life span (like the agroforestry activities) or take longer to realize their full potential (e.g. assisted natural regeneration).
- The project can also be considered cost effective from the view point of leveraging significant GOI resources to roll out FMUs. Further, the project will have multiplier effects in other FMUs, districts and provinces through the development of policies and modalities for REDD+ implementation at FMU level and the demonstration of cost-effective interventions to reduce GHG emissions. Also, as the project aims to build on existing institutional arrangements and will focus on involving local communities in nearly all activities, the project design itself may be considered cost effective.

Table 2. Economic Benefits and Costs
(Base Case, '000 US\$)

Project Year	Costs			Benefits				Net Benefits	
	Investment	O&M	Total	GHG emissions	Ecosystem services	Improved livelihood	Total	Emissions at \$10/tCO ₂ e	Emissions excluded
1	2,527	33	2,560	2,230	0	-684	1,546	-1,015	-3,244
2	5,794	129	5,924	2,702	138	-490	2,350	-3,573	-6,276
3	6,060	230	6,290	3,180	540	-679	3,041	-3,249	-6,429
4	4,953	311	5,265	3,439	962	-820	3,581	-1,684	-5,122
5	2,094	339	2,433	3,703	1,301	2,538	7,542	5,109	1,406
6	0	886	886	3,965	1,418	2,973	8,355	7,470	3,505
7	0	886	886	4,187	1,418	4,590	10,195	9,323	5,136
8	0	886	886	4,409	1,418	6,486	12,312	11,426	7,017
9	0	886	886	4,631	1,418	13,650	19,699	18,813	14,182
10	0	886	886	4,853	1,418	8,038	14,309	13,423	8,571
ENPV	15,525	2,493	18,017	19,610	4,745	13,147	37,502	19,484	-126
EIRR								45.2%	11.8%

Note: Gaharu agroforestry has a 8-year growth cycle, and gaharu collection is scheduled to be in year 9. This accounts for the increase in livelihood benefit for that year.

(d) Implementation potential:

- The project has high implementation potential because it builds on existing arrangements, and commitments from stakeholders. The merger of former Ministry of Environment and Ministry of Forestry into a single ministry of MOEF resulted in availability of several staff familiar with ADB project implementation procedures.

- The Directorate General of Social Forestry and Environmental Partnerships (Perhutanan Sosial dan Kemitraan Lingkungan – PSKL) will be the executing agency (EA). The EA will provide overall coordination, ensure proper financial management and comply with annual monitoring and reporting of the project's contribution to the FIP results framework.
- There will be three implementing agencies (IAs) for the project:
 - Directorate of Business Development for Social Forestry and Customary Forest (Direktorat Bina Usaha Perhutanan Sosial dan Hutan Adat, BUPSHA) to implement REDD+ activities through partnerships with local communities in FMUs outside national parks,
 - Directorate of Environmental Services Utilization and Conservation Forest (Direktorat Pemanfaatan Jasa Lingkungan Hutan Konservasi, PJLHK) to implement REDD+ activities in national parks, and
 - Directorate of Production Forest Management Unit (Direktorat Kesatuan Pengelolaan Hutan Produksi, KPHP) to implement REDD+ activities other than those related to social forestry in production forests of FMUs. The respective technical implementation units of IAs at provincial levels will assist IAs in effective project monitoring. The provincial and district forest agencies and FMUs will collaborate with the technical implementation units and are supported by a project implementation supporting unit.
- Project Implementation Supporting Unit (PISU) will consist of a group of consultants that will assist the EA and IAs in day-to-day implementation of the project at national, provincial and district levels, including the overseeing of the project safeguards, monitoring and reporting. PISU shall assist the EA and IAs to prepare detailed project work and financial plans; prepare and appraise the reports of the subprojects; develop implementation procedures, and guidelines for project activities and for coordinating implementation by the concerned agencies at the national and provincial level; develop selection criteria for NGOs and other service contractors; design and develop the project management information system, including the monitoring plan for project progress; support in the preparation of documents to procure goods and services; monitor project progress and the performance of various service consultants; prepare regular progress reports for submission to MoEF and ADB; and assist ADB review missions.
- The 5 FMUs in the project area have differing capacities. One FMU is in the process of establishment and the project will support this process through development of policies, the land use plan and capacity building of staff. The other four FMUs are established but are lacking in staff, staff capacity and facilities such as data management and transportation. All FMUs will receive support in terms of planning, participatory processes and information management; while targeted support will be provided to enable the FMU staff to effectively implement forest management activities (as an example: boats may be provided to FMU staff in Sintang to facilitate transportation between the FMU office and the forest, 5 hours up-river).
- The FIP steering committee for Indonesia, comprising representatives of various ministries, will serve as the project steering committee and will coordinate all FIP-supported projects to be administered by ADB, World Bank and IFC. A FIP Program Coordination Unit will be established jointly with WB and IFC to coordinate with each other and with other development partners, such as FCPF and other REDD+ initiatives. The Unit will be based in MoEF to ensure close coordination with government counterparts.
- Project implementation, financial management and procurement will be aligned with the government standard operating procedures. The executing and implementing agencies have adequate capacity for financial management, procurement and legislation. The risk rating for financial management is medium based on assessment of accounting and auditing procedures and staff expertise. The existing financial information system (i.e., accounting, reporting, and internal control system) is

reasonably complete. The MOEF staff is experienced in managing projects funded by ADB and other multilateral and bilateral agencies. The overall procurement risk is assessed as low. To address shortfalls in capacity, the project will provide training to project staff on ADB project administration, especially on financial management. ADB's Anticorruption Policy (1998, as amended to date) and ADB's Integrity Principles and Guidelines (2015, as amended to date) were explained to and discussed with the government.

(e) Integrating sustainable development (co-benefits):

- The project will benefit at least 10,000 persons in 17 villages, with 2,000 households increasing their income by participating directly in afforestation and other livelihood activities. The project will contribute to poverty reduction efforts of the government by providing income-generating activities and alternative livelihoods to poor communities, which, in turn, decrease pressure on the forests. At the same time, by protecting forests, communities can turn to forest resources to supplement their incomes and enhance their adaptive capacity. Small-scale rural infrastructure provided by the project is expected to improve their access to basic services and amenities.
- In addition, downstream communities are expected to benefit from enhanced ecosystem services generated through the actions of the direct beneficiaries. The project's institutional and capacity-building interventions are expected to generate significant social benefits to communities, local governments, and private and non-government organizations. As the project is community-focused, participation and engagement of the poor, local communities, civil society organizations, and other stakeholders is emphasized. During project implementation, a community empowerment specialist will be hired as part of the project implementation supporting unit to look into poverty and social issues, and to integrate social dimensions into project operations and monitoring systems. A counterpart staff from the government will also be appointed to ensure that project implementation involves the poor and that project benefits accrue to the poor.
- Some of the drivers of current deforestation and forest degradation in the project areas are related to community activities in the forest area, such as *padi ladang* shifting cultivation, inadvertent forest fires from honey collection and fish drying, and overexploitation of timber resources. The project aims to address these drivers by focusing the investment on community livelihoods, generating income from sustainable use of the forest lands, such as agroforestry and eco-tourism, and from other economic activities, such as processing of raw materials and marketing of produce, which is facilitated by village-level road improvement and renewable energy installations (photo-voltaic systems and micro-hydro), among other things.
- A crucial element of the project to make utilization of the forest resources sustainable is the formalization of community-based forest management agreements, providing the local communities with strengthened tenure rights over forest lands. Jointly, this two-pronged approach is expected to reduce the dependency of village livelihoods on exploitation of forest resources and enhance the position of the communities vis-à-vis other claims on forest lands.

(f) Safeguards:

- The project will comply with ADB's safeguards policy statement (2009) and UNFCCC REDD+ safeguards with regard to environment, involuntary resettlement and indigenous Peoples.
- **Environment.** The project is categorized as B. It is expected to achieve significant environmental benefits, including cumulative reduction of 3.7 MTCO₂e of GHG emissions, improved watersheds and increased biodiversity in the ecosystems of previously degraded and deforested areas. The project will undertake small-scale infrastructure (e.g. ecotourism facilities) and livelihood activities

that may potentially cause minimal disturbances to the environment, but can be easily mitigated with proper site selection, use of environment-friendly construction technology, and proper disposal of waste generated. The environmental assessment and review framework will guide the environmental screening and categorization of project interventions and identify potential impacts. Sample initial environmental examinations for two villages (Bungan Jaya and Tanjung Sari) were prepared to provide prototype for screening and identifying typical impacts of potential interventions and will serve as a template for preparing the environmental management and monitoring plans. Effective environmental monitoring at all stages of project implementation will be ensured.

- **Involuntary resettlement.** The project is categorized as B for involuntary resettlement. Land acquisition is expected to be minor and no relocation will take place. Small-scale infrastructure investments such as village road improvements and micro-hydro installation, which may require land acquisition, will be undertaken only on demand basis and agreement with the beneficiaries. The resettlement framework was prepared in consultation with the FMUs, local governments in Kapuas Hulu and Sintang districts and MOEF to guide the preparation of resettlement plans, as needed. The framework includes institutional arrangements and mechanisms for disclosure, meaningful consultation and redress of grievances.
- **Indigenous peoples (Masyarakat Hukum Adat [MHA]).** The project is categorized as A, mainly from the point of significant positive impacts on MHA or customary communities through livelihood improvement activities and beneficiary measures. Benefits to MHA communities include a secure use on land by the approval of community based forest management plans and the diversification of economic activities. The indigenous peoples planning framework was prepared to provide guidance on: (i) screening for the presence of MHAs and the project's impacts on them, (ii) preparing an Indigenous Peoples' Plan for activities anticipated to have impacts on MHAs, and (iii) mitigating adverse impacts and enhancing positive impacts. The framework will ensure that project activities are implemented to foster full respect for MHA identity, dignity, human rights, livelihood systems, and cultural uniqueness as defined by the MHA. The framework will enable MHA to: (i) receive culturally appropriate socio-economic benefits, (ii) participate actively in the project, and (iii) ensure that they do not suffer adverse impacts as a result of the project.
- In compliance with ADB's information disclosure and consultation requirements, the safeguard documents were posted on ADB's website. The project will allocate adequate resources (human and financial) to strengthen capacity of FMUs and district staff for implementing, monitoring and reporting on social and environmental safeguards.

12. Stakeholder engagement:

A: During Project Design

- The project preparation involved a series of national and sub-national dialogues and consultations, focus group discussions, questionnaires for social, economic and environmental assessments, household surveys, and workshops. The stakeholder consultation and participation plan (SCCP) provides details on the types of different groups of stakeholders involved. For example, the SCCP was prepared based on consultations with 56 key informants from provincial and district government officials, 44 key informants from NGOs, 82 community members including women, customary law community residents, and village leaders, and 208 household surveys.
- National level dialogues and consultation meetings were conducted in coordination with the National Forestry Council (DKN) as per its public consultation special decree No. SKN 02/DKN-KP/2012. Non-governmental organizations (both international – e.g., WWF, Conservation International; and national – e.g., AMAN) and other relevant stakeholders have been consulted in the districts, in West Kalimantan province and at the national level. Several NGOs provided valuable feedback on opportunities to engage NGOs during project implementation.
- Stakeholder engagement during project design was open, transparent and inclusive. Extra efforts were made to discuss with customary communities, or Masyarakat Hukum Adat (MHA), to build

partnerships and enhance their ownership of the project. The local communities were extensively informed on project activities that affect their areas. Indeed, most of the livelihood options included in the project have been proposed by the community members, in consultation with FMU staff.

- The targeted FMUs and the villages in each FMU were selected in consultation with MoEF and provincial authorities, based on a set of objective criteria that were established in an open, transparent and inclusive manner. Extensive consultations have also been held with government representatives at all levels where the project will operate, and the development partners (e.g., Germany – GIZ; UK CCU, USAID, JICA) working in West Kalimantan. For example, villages participating in GIZ-FORCLIME project in Kapuas Hulu district were excluded from the FIP support. The development partners provided feedback on effective ways to engage local communities and NGOs in project design and implementation.
- Stakeholder engagement during project preparation led to an improved project design that duly considered local circumstances, needs and capacity. For example, the project preparation team benefited from the guidance of local community leaders (e.g., village chiefs) and FMU staff on various alternate livelihood options that have potential to reduce pressure on forests, the choice of crops for agroforestry systems, and activities such as promotion of renewable energy, water supply and ecotourism. Focus group discussions on community-based forest management agreements helped in determining how such agreements can be strengthened to enhance access of local communities to forest resources in project area. Summary of feedback from local communities in different forest villages is included in Annex 2 of the stakeholder consultation and participation plan. A few private sector representatives provided guidance on ways to promote handicrafts and ecotourism, especially in National Parks.

B: During Project Implementation

- A stakeholder communication strategy (SCS) and a stakeholder consultation and participation plan (SCPP) were prepared to guide the project implementation teams on ways and approaches to effectively communicate and consult with different stakeholders – government staff, civil society organizations, local communities, and the development partners. The SCS, which includes both internal and external communications, complies with the Asian Development Bank (ADB) Public Communications Policy and the ADB Stakeholder Communications Guide. It provides principles of effective communication in REDD+ and identifies various methods (e.g., awareness raising, branding the project) and tools (e.g., fact sheets, posters, videos, press releases) to target different sub-groups among stakeholders.
- The SCS complies with REDD+ safeguard principles and guidelines from the Strategic Climate Fund, requiring clear language and details on the provision of benefits for *Masyarakat Hukum Adat* (MHA), strengthening multiple benefits and prevention of conversion of natural forests. The strategy is to take a low-carbon direction that is socially and economically empowering rather than a pursuit of forest management with the sole objective of reducing greenhouse gas emissions.
- The SCPP provides details on approach to stakeholder participation, participation method and key personnel responsible for implementing the SCPP for each project output.
- In addition, stakeholder engagement related efforts of all FIP financed projects will be coordinated with support from a national program coordination unit and a national program level steering committee to ensure synergy, coordination and alignment.

13. Gender considerations:

- The project has been designed with full regard for the position, rights and preferences of women in the 17 villages where the project will operate, respectful of the identity and culture of the indigenous groups as identified by them. During project design, separate consultations were held with women groups in addition to consultations at the village level.

- The project is categorized as effective gender mainstreaming. The project supports women's voice and participation in all activities related to forest conservation, assisted natural regeneration, use of forest resources, benefit sharing and in project supported livelihood activities, including setting up, operating, and managing small-scale income-generating projects. A gender action plan has been prepared and includes among others, the following: (i) women are 50% of beneficiaries in programs to improve value chain and livelihood skills; (ii) women's groups are established to support non-timber forest products based micro-enterprise development; (iii) women are trained to manage forest-based micro-enterprises; (iv) women constitute at least 30% of the participants in consultation processes; members in community forest management groups; participants of workshops and study visits on REDD+ readiness and implementation; (v) 30% of the participants in the capacity building activities targeted for FMU and district forestry agency staff are women, and (vi) proposals developed for additional funding will be gender-responsive with clear gender outcome indicators and activities specifically targeted at women's groups.
- The project will ensure equitable opportunities for representation of women to assume leadership functions in various organizations. Of particular concern here is the voice and role of women in establishing the community-based forest management agreement and forest management plans, such that the agreed-upon forest management activities respond to the needs and requirements of women as well. Technical training will be provided according to women's needs and aspirations, including establishing and strengthening women's groups and mentoring programs for community-level women leaders. The project will support female government staff and women's groups to develop their knowledge of climate change mitigation and adaptation measures focusing on forest ecosystems. Adequate resources have been allocated to implement the gender action plan.

14. Indicators and Targets (consistent with results framework):

Category 1 Themes and Indicators	Target
GHG emission reductions/enhancement of carbon stocks (tons of carbon dioxide equivalent) cumulative over 10 years	3.7 million
Livelihood co-benefits	
(i) People directly benefitting from the project, with monetary and non-monetary benefits (number)	10,000 (with 40% beneficiaries being female) (at least)
(ii) Households benefitting from the project (number)	2,000
(iii) Increased household income in project areas (percentage)	20 percent (in real terms)
Category 2 Themes and Indicators	Target
Biodiversity and Environmental Services	
(i) Area of degraded land rehabilitated through community-based assisted natural regeneration (hectares)	6,000
(ii) Area of deforested land brought under improved community-based agroforestry systems (hectares)	1,880
(iii) Area of additional natural forest protected through community-based forest fire management (hectares)	5,000 (directly) 91,000 (indirectly)
(iv) Area of natural forest land brought under community-based forest management (hectares)	17,000
Governance	
(i) Forest Management Units implementing REDD+ in an inclusive and participatory manner (number)	5
(ii) Provincial regulations supporting REDD+ issued (number)	3
(iii) Provincial REDD+ grievance redress mechanism established	1
(iv) Provincial REDD+ safeguards and community-based monitoring system, including activity registry, established	1

Tenure, rights and access		
(i) Persons with improved clarification on access to land and natural resources (number)		10,000 (5000 women) in 2,800 households (at least)
Capacity building		
(i) Government staff members from FMUs, districts and province trained in REDD+ implementation (number)		100 (30 women)
(ii) Local community members trained in sustainable forest management (number)		500 (200 women)
(iii) Gender-responsive proposals developed for mobilizing sub-national REDD+ funding (number)		3 (at least)
15. Co-Financing:		
	<i>Amount (in USD million):</i>	<i>Type of contribution:</i>
• Government	1.70	In-kind, and through exemption of taxes and duties
• MDB: Parallel cofinancing by ADB TA 8331 (processed separately in 2013) ¹	4.48	Grant (\$1,250,000 by ADB's Climate Change Fund, (ii) \$700,000 by ADB's Regional Cooperation and Integration Fund, and (iii) \$2,527,270 by the Global Environment Facility (GEF)
• Others (please specify)		
Co-Financing Total:		6.18
16. Expected Board/MDB Management approval date:		
ADB Management approval: September 2016		

¹ ADB, 2013. *Technical Assistance to the Republic of Indonesia for Sustainable Forest and Biodiversity Management in Borneo*. Manila. (TA 8331-INO).

Annexes:

1. Draft Grant Report endorsed by ADB Management
2. Project Administration Manual

3. Sector Assessment (Summary): Agriculture, Natural Resources and Rural Development
4. Development Coordination

5. Economic and Financial Analysis
6. Country Economic Indicators
7. Summary Poverty Reduction and Social Strategy
8. Poverty and Social Impact Analysis

9. Environmental Assessment and Review Framework
10. Initial Environmental Examination: Bungan Jaya and Tanjung Sari
11. Resettlement Framework
12. Indigenous Peoples Planning Framework

13. Risk Assessment and Risk Management Plan
14. Financial Management Assessment
15. Procurement Risk Assessment
16. Climate Risk Assessment and Management

17. Gender Action Plan
18. Gender Analysis
19. Stakeholder Consultation and Participation Plan
20. Stakeholder Communication Strategy