

CLIMATE INVESTMENT FUNDS

December 21, 2016

**Approval by mail]: Indonesia - Strengthening Rights and Economies of Adat and Local Communities
Project (FIP, DGM) (World Bank) (XFIPDG205A) - *Comments from United Kingdom***

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Dear Mafalda

Thank you for providing us with the opportunity to comment on the DGM project document for Indonesia. This is a much anticipated proposal and as such we have read and reviewed it with interest, consulting with our country based office. Please find below our comments

First of all we would like to thank the report authors. This is a well written and clear document. The volume of comments and questions is a reflection of our interest in the important opportunity that the DGM in Indonesia presents.

1. The selection of Samdhana Initiative as the National Executing Agency is a good choice as they have experience of small grant management, however, as the risk analysis states, there are some concerns about the scale of the work proposed under the DGM and Samdhana's capacity to manage the oversight and support of numerous local CSOs and CBOs across so many regions. In addition to the mitigation measures identified in the PAD, we would like to suggest that they meet and learn from the experiences that the UK has had with managing small grants initiatives in the Indonesia forest sector through the Multi-stakeholder Forestry Programme, and The Asia Foundation. We have found that it takes a lot of time and effort to get community-based organisations up to the standards of basic financial management. This is a general point and relevant of course to the DGM in all countries.

2. We note the reference to encouraging the National Steering Committee to have stronger links to government (DG Social Forestry for instance?), perhaps including more government entities on the NSC. As an entirely artificial structure without institutional roots it may struggle to make headway as envisaged under component 2, and we would like to understand whether there has been consideration of replicating a model more along the lines of that followed in Brazil for example where government has a more significant role than in some of the other DGM countries. Perhaps the NSC could have a closer association with the national forest council (DKN) or something more permanent. This issue was clearly identified in para 45 b) under "lessons learned and reflected in project design" from other DGM experience in Peru and Brazil, but this has not been reflected in the Indonesia DGM design. We understand that this is a decision for the NSC but would encourage further reflection and/or review. Additionally, given the strong focus on tenure, and as the PAD states clearly land tenure in Indonesia is complex and straddles multiple agencies, it may facilitate work under component 1 if the relevant government bodies are present within the NSC in some form.

3. Linked to the above, it should be made clearer how lessons learnt from the implementation of the grants will feed into influencing legislative processes (new laws and revisions to the old) as set out in component 2. Ideally lessons of this type should feed in to the broader FIP process in country but it is not clear how this might happen, and if the responsibility for this falls to the NSC, one can assume that Samdhana will have a significant role to play and could end up moving from being a service provider to a campaign/advocacy organisation. This would put them in a very difficult position with the MoEF. For example how will new KPH laws (para 63) better address customary rights and tenurial claims?

4. Land conflict and mediation is well covered as a symptom of weak tenure, but where does mediation lead to arbitration and a court ruling with changes in land tenure status and/or compensation? The

legal/judicial end of this work is complex and faces a huge risk ; there is limited capacity for this mediation/arbitration work in Indonesia. Again, the UK has experience of this sort of work and would be happy to share lessons learnt with the DGM team.

5. The safeguard triggers are numerous and seem to have created a significant amount of World Bank staff inputs (some 100 staff weeks for safeguards and another 24-44 staff weeks for M&E). This is a lot of time for the Samdhana team to manage, and whilst the inputs may be very useful, they could distract the Samdhana team from their core work. Further information on how to guard against this would be appreciated.

6. Overall this is actually quite a small programme in financial terms when considering the scope set out in the proposal; with 7 regions to cover (just over 8 grants per region), in a huge country. There is a danger that the DGM grants will raise expectation that cannot be met, and will be spread thin making it difficult to assess their value and impact (somewhat reminiscent of the “let a thousand flowers bloom” concept). As the document states, it will be important to manage expectations and try and crowd in other resources.

It is not clear how the DGM will relate to the other FIP investments given the DGM is potentially covering many more regions.

If you take the PAD analysis at face value then most emissions can be reduced by working on peatlands and fire. The PAD rightly recognises that the underlying causes of peatland decomposition and forest fire are largely tenurial in nature, so it is very reassuring to see this coming through in one of the selection criteria for grantees, which includes areas vulnerable to peatland decomposition and forest/land fires. Whilst respecting the broader empowerment objectives of the DGM, it is on this set of issues that the most impact and arguably value for money on GHG emissions reduction can be achieved. There is therefore a question to be asked about greater geographical focus (and see point 8 below about testing the approach).

7. More thought should be given to how relatively small-scale community-based initiatives can have influence beyond the immediate project area (this is a challenge for all the DGM projects) - in a landscape that for example includes a peat dome that is being drained elsewhere by an oil palm or fibre company. One link is through the provincial level spatial plan and One Map initiative, which are now being rolled out to district-level. So it would be good to see the connections with this given greater emphasis. It is good to see that the DGM will support IPLCs to access private and public resources available beyond the DGM- in particular making the most of potential partnerships with private entities. It would be helpful to hear more about what such partnerships might look like and what the role of the DGM might be in helping to support them.

8. In component 2, there is a good opportunity to address a key challenge - how to make a direct transfer of resources to a community and to achieve optimal results. This is a major and as yet unresolved issue in REDD+ and there is an opportunity here to demonstrate some of the connections between the work that the DGM is doing and developing a “proof of concept” that could crowd in other resources via the DGM structure or be replicated for other financial transfer schemes.

Thank you for your consideration

With best wishes

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