

CLIMATE INVESTMENT FUNDS

September 21, 2015

[Approval by mail] Indonesia: Promoting Sustainable Community Based Natural Resource Management and Institutional Development (World Bank) FIP

World Bank Response to Comments Received from UK

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1. How will the project ensure buy-in from provincial level government (which will be particularly important as the proposal suggests the 10 KPHs to be sampled will be primarily provincial KPHs)? Will this be included as part of the work in Component 1 (or possibly outreach in 3) and if so how achieved?

Response:

The buy-in of the provincial level government into the KPH approach is very important given the new regional autonomy law grants authority to the provincial government regarding matters of forests that were previously under the district government.

The project will be focusing on increasing buy-in of provincial governors as part of the outreach work in component 1. The outreach will include generating and using evidence of the benefits of having effective KPHs in place in terms of resource management, potential contribution to mitigating and adapting to climate change, social benefits, reduction of conflicts, and recognition of rights. The outreach intends to make the case for also supporting the development of KPHS that can be budget holders (SKPD). There will also be meetings and workshops and discussions with the association of governors. Evidence from the field will also be added to the outreach effort as the project is being implemented. In addition, the technical units of the Ministry of Environment and Forests (MOEF) at the province level will make available resources for supporting implementation of KPHs. This will allow provincial level government to benefit from the presence of KPHs without incurring costs.

The 10KPHs in component 3 are already established, and the support will be focused on making them operational. For provincial KPHs, the provincial governor issues the decree for the KPH, and therefore is implicitly already supportive of the KPH being in place. Activities associated with component 3.1 will focus on helping heads of KPHs make a strong case for obtaining a status that allows them to reinvest their profits into the KPH (BLU status).

2. We notice that partnerships with private entities are part of the operationalization of KPHs that will be in the scope of Component 3's technical assistance, but are aware of the challenges of finding the right partners to secure responsible investment in the sector. It would be useful to hear more detail about the [project's] strategy in supporting this particular element of KPH activity.

Response:

Ensuring that the KPHs partner with responsible private sector investors is very important. There are three ways that the project proposes to ensure that investors expressing interest in the KPH are responsible investors:

- (i) Work with IFC to develop a mechanism for checking that potential private sector investors using readily accessible information on private investors and ensuring that this tool is applied prior to an agreement being signed.
- (ii) The screening of the business plans as per the process framework of the ESMF
- (iii) Ensuring that the investor complies with SVLK (depending on the type of engagement)

The project will also need to consider (during appraisal) whether resources need to be made available to create a list of companies that are considered worth pursuing that could be shared with KPH heads.

3. The comment provided is noted. The sources of financing are diverse. The objective of the project, by helping KPHs obtain BLU status is to enable them to access a diverse set of financing sources.

4. There appears to be an inherent risk in the dual role of KPH as both regulator and service provider, as the roles seem to create a conflict of interest (for example if the KPH is dependent on the flow of income from the client being regulated). Are there any ways in which this programme will particularly focus on the reconciliation of these two responsibilities?

Response:

The project will address the issue created by the two responsibilities in the following manner:

- Through the work done on providing TA for revising the regulation clarifying roles and functions (Ministerial regulation no. 6/2007). The technical assistance will aim to remove the conflict of interest – i.e., the function of KPH as regulator is reduced and the function of the KPH as a service provider is strengthened. The subnational forestry unit (Dinas Kehutanan) would continue its function as regulator.
- The safeguards instruments will also require certification of forest enterprises that are harvesting timber, helping reduce the conflict of interest.

5. The social assessment highlighted the opportunity to build accountability to the local community into the design of the project. It is very positive to see that component 3 will provide technical assistance on (inter alia) communication and outreach, and will support community empowerment in 10 KPHs. It would be useful to hear how else the programme will seek to enhance accountability to local stakeholders throughout? There may be some mutual benefits in discussion of this subject with DFID's Indonesia office, where our colleagues are seeking to set up local forest councils that are open to community-based groups and individuals, with whom the head of the KPH can share their plans and report back on progress. They are currently piloting some examples, and would welcome cooperation with FIP as implementation progresses."

Response:

There are two additional ways that the project will enhance accountability to local stakeholders throughout the project:

- (i) The implementation arrangements include a Consultative Committee at the level of the KPH. The Executing Agency has identified the Consultative Committee as a platform for including all relevant stakeholders at the local level that need to be kept informed about the activities in a KPH and also a platform for these stakeholders to provide feedback on the activities being implemented by the KPH. The committees are to meet on a regular basis. Some details regarding the functioning of the Consultative Committees remain to be finalized, for example the frequency of the meetings, the exact function and the person responsible for convening the meetings and ensuring that the information and decisions from the meetings will be widely shared. These details will be in the project operational manual (compliance with the project operational manual is legally binding)
- (ii) The Environmental and Social Management Framework (safeguards instrument) has both a process framework, a community participation framework (CPF), indigenous peoples planning framework, involuntary resettlement framework. The process framework lays out the process of screening the activities to ensure compliance with the World Bank's environmental and social safeguards. The CPF intends to ensure that vulnerable groups, including but not limited to Adat communities, will be informed of the project opportunities and consulted on its activities prior to their commencement, and receive project benefits that are culturally appropriate and gender- and inter-generationally inclusive.

The Bank team will also be working with the National Steering Committee (NSC) of the Dedicated Grant Mechanism (DGM). The activities of the DGM intend to build the capacity of the community to engage with KPHs. The activities also bolster the communities' ability to request and work with relevant information and more effectively negotiate for their needs from forest areas. In areas where the FIP and DGM activities overlap, the Bank team aims to ensure synergies.