



# Forest Carbon Partnership Facility

## Progress with due diligence work in Indonesia

Participants Committee Meeting (FCPF PC4)

Washington, DC - October 27-28, 2009

# Indonesia R-PP process

- **Following the final resolution approved by the PC on August 25, 2009 , the FMT informed Indonesia about the decisions**
- **First official mission to Indonesia took place September 8 – 18 with the objective to**
  - Discuss the findings of the PC, according to the summary note of the PC
  - Discuss next steps towards the signature of the grant agreement (US\$3.6million), which include due diligence activities and agree on next steps with the counterpart
  - Listen to relevant stakeholders

# Context

- **Indonesia receives support from a number of donors, NGOs and IO**
  - FCPF contribution is US\$ 3.6 million out of US\$ 18 million
  - (Official) demonstration projects are being prepared (KfW, UNREDD, AusAid, etc.) and
  - a number of other readiness initiatives are underway
- **Time too short to make significant progress for grant agreement preparation:**
  - 50 days since submission of Resolution
  - Ramadan, National Holidays and transition of administration

# Progress made for Grant Agreement

- **However, some first definitions could be made:**
  - Agreement on what areas the FCPF grant financing will be focusing on
    - Analytic studies on drivers of deforestation;
    - Consultations, outreach and communication;
    - REDD management framework at federal level;
  - All components still need discussions with Ministry and donors to avoid overlaps (mainly UNREDD and AusAid);
  - Agreement on application of a Strategic Environmental and Social Assessment;
  - Agreement on the outline for detailing the Consultation and Participation Plan

# Progress made for Grant Agreement

- **Counterpart for grant agreement will be Ministry of Forestry**
  - But, cooperation with Ministry of Finance and other main stakeholder will be essential
  - Grant agreement needs financial management and procurement capacity in place – still to be assessed
- **Agreement on conducting a Strategic Environmental and Social Assessment (SESA)**
  - Scope and topics for the Assessment – still to be agreed
    - Might go beyond the components financed through the FCPF grant agreement
  - Identification of institutional context and who leads the SESA will be important

# Some Issues for the due diligence process

- **Stronger coordination of activities between donor initiatives**
  - FCPF is a small donor within the REDD and Readiness context of Indonesia
  - Need to organize activities to avoid double financing and coordination
    - AusAid, KfW/GTZ, UNREDD, USAid, Norway, DfiD, AFD, NGOs, etc.
  - Management of learning and knowledge from different initiatives to promote REDD needs to be discussed
- **Preparation of final Consultation and Participation Plan**
  - RPP (former RPlan) provided already a very good base for the plan
  - Further clarification on what communication and participation instruments will be used
  - Consultation will go far beyond FCPF activities and needed more finance sources and donor coordination:

# Main remaining Issues

- **Manage Expectations**

- High expectation for REDD from CSO side
- A number of incentives are being prepared but financial commitments are still lacking

- **Participation of IPs and CSOs**

- Groups highlight customary and land access rights as the main issue
  - Readiness process to access how land rights does affect the implementation of REDD and how it can be addressed
- Request for more qualitative participation, capacity building and coordination of activities.
- TORs for SESA and Consultation Plan will lay out the participation structure

# Next Steps

## 1<sup>st</sup> Step: GoI provides proposal to World Bank :

- Detailed activities and budget for FCPF funding and table with an overview on other donors' activities
- Implementation arrangement for the FCPF grant
- Submit revised Consultation Plan after discussion with some key stakeholders
- Prepare TORs for Strategic Environmental Social Assessment

## 2<sup>nd</sup> Due Diligence Process

- Institutional Assessment: Procurement and Financial Management for grant agreement
- Environmental/Social Assessment:
  - How proposed activities comply with WB safeguards and operational guidelines
  - Institutional capacity assessment

Technical assessment of TORs (including SESA)