

## INDONESIA FOREST INVESTMENT PROGRAM (FIP)

### TERMS OF REFERENCE FOR THE SECOND JOINT MISSION (12-16 December)<sup>1</sup>

1. Indonesia expressed interest to become a pilot country under Forest Investment Program (FIP) and was selected. On 11 June 2010, the Government of Indonesia (GOI) requested assistance in developing a forest investment plan. The Multilateral Development Banks (MDBs) – Asian Development Bank (ADB), the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC) – serve as partners to GOI under the terms of CIF in programming FIP resources and assisting with design and implementation of projects. A Scoping Mission was conducted in August 2010 to plan for Joint Missions and consultations that would lead to development of an investment plan. A Preparation Grant to be administered by ADB on behalf of the Government was approved in January 2011 to assist the GOI in preparing for joint missions and the development of investment plan.

2. The national resource envelope for planning FIP investments in Indonesia is \$70 million, comprising grants and concessional loans. An additional amount of up to \$6.5 million is available under the Dedicated Grant Mechanism (DGM) for Indigenous Peoples and Local Communities. Further resources are possible on a competitive basis from the FIP reserve fund. FIP resources may be used to: (i) build institutional capacity, forest governance and information; (ii) mitigate GHG emissions from the forest sector, including through supporting forest ecosystem services; and (iii) support measures outside of the forest sector to reduce the pressure on forests, such as through the creation of alternative livelihood and poverty reduction opportunities. In addition to generating GHG mitigation benefits, FIP investments are meant to take into account opportunities to help them adapt to the impacts of climate change on forests and to contribute to multiple benefits such as biodiversity conservation, protection of the rights of indigenous peoples and local communities, poverty reduction and rural livelihoods enhancements.

3. The Ministry of Finance (MOF) is the GOI's overall focal point for the Climate Investment Funds. The MOF designated the Ministry of Forestry (MOFr) as the Government's FIP focal agency, through the office of its Secretary General. Planning for FIP missions and development of an investment plan by MOFr and MOF with support of MDBs have proceeded through a multi-stakeholder process, and in consultation and coordination with other relevant entities, including the National REDD+ Task Force, as well as the National Development Planning Agency (BAPPENAS), the National Council on Climate Change (DNPI), the Ministry of Environment (KLH) and the Coordinating Ministry for Economic Affairs (MenkoPerekonomian).

4. Based on the results of a Scoping Mission in August 2010 and an update workshop held in April 2011 at the inception of work under the preparation grant, the forest investment plan will be prepared primarily through two joint missions of the GOI and MDBs. The objective of the Missions is to assist GOI in developing and costing a forest investment plan for programs and projects, which are consistent with FIP objectives and meet the investment criteria for FIP programming priorities. The First Joint Mission, led by the GOI, assisted by the MDBs and

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<sup>1</sup> The background information including (i) mission objectives, outputs and process; (ii) introduction/ background; and (iii) scope of work, comprising (a) pre-mission activities, (b) preparatory work, (c) coordination among other development partners, and (d) consultations with other stakeholders; (iv) mission composition (Team members, assignments, and their outputs); (v) mission agenda/schedule; (vi) GOI and MDB contacts; and (vii) mission budget) of the Joint Missions is given as part of the Terms of Reference of the First Joint Mission held from 13 to 22 July 2011. Readers are also encouraged to review the Aide Memoire of the First Mission for additional details.

supported by other multilateral and bilateral development agencies, was held from 13 to 22 July 2011. The Second and final Joint Mission is proposed to be held from 12 to 16 December 2011.

5. The First Joint Mission reviewed the work performed by consultants contracted through the preparation grant as well as MDB country programming and their counterpart teams. The Mission focused on the status of REDD+ preparedness and options for support to the national REDD+ strategy. The Mission conducted field visits in Central Java, Yogyakarta, Jambi and West Kalimantan to identify potential opportunities relevant to climate change mitigation and adaptation, and options to address them through forest management supported by FIP.

6. The First Joint Mission reviewed the draft national REDD+ strategy as well as plans and programs of other development partners, including the program of work agreed under the REDD+ Partnership between the Governments of Norway and Indonesia, work in progress under the UN-REDD Program and the Forest Carbon Partnership Facility (FCPF), as well as all bilateral REDD+ support efforts, in order to ensure good coordination and synergy. The Mission sought inputs from various government and non-government stakeholders, including representatives of “masyarakat adat”, local communities, gender, and the private sector to support an inclusive and transparent development process of the investment plan.

7. The First Joint Mission, based on meetings with various stakeholders, identified eight preliminary areas for FIP investment in Indonesia for further consideration.

- a. **REDD+ in Community Forestry:** Promotion of Community Forestry (Village Forest/HD, Community Forest/HKM, Private Forest/HR, People Plantation Forest/HTR), including the prospects for redirecting the current \$300+ million fund for HTR, improved credit systems, access to REDD+ performance-based payments, forest carbon markets, and payments for ecosystem services.
- b. **Land and Forest Tenure Reform including policy reforms to improve enabling conditions for Sustainable Forest Management (SFM):** Forest land tenure, dealing with tenure claims that can hinder REDD+ investment and implementation; and prospects for scaling up tenure clarification and adjudication systems that can serve as a platform for improved SFM and REDD+.
- c. **Addressing Illegal Logging and Associated Trade:** Addressing the remaining hot spots for illegal logging, including the introduction of policy and institutional reforms, and introducing REDD+ incentives as alternatives to illegal behavior.
- d. **Forest Management Units (FMUs) and REDD+:** Supporting the development of FMUs using REDD+ as a management objective and FMUs as REDD+ monitoring units, to introduce innovations for improved land and forest management.
- e. **Degraded Lands Development:** Redirecting plantations from forests to degraded lands in conjunction with implementation of national REDD+ strategy.
- f. **Ecosystem Restoration Concessions and REDD+:** Scaling-up the use of Ecosystem Restoration Concessions, with an emphasis on generating REDD+ revenues as an important source of revenues.
- g. **Market-based REDD+ Incentives:** Expanding the use of REDD+ financial incentives to reshape land and forest management practices, including the integration of REDD+ into fiscal policy incentives to enable trillions of Rupiah of reflow from natural resource taxes/royalties to affect decision making in provinces and districts.

- h. **Sub-national REDD+ Development:** Testing and developing REDD+ systems and approaches at the sub-national level in additional pilot provinces or demonstration locations, prioritized by GOI REDD+ agencies, especially where the MDBs have track records or where FIP can serve as the lead partner program.

8. Subsequent to the First Joint Mission, several follow-up meetings were held to review the progress. Additional FIP familiarization meetings have been and are being held using different avenues, but the main engagement will be through the National Forest Council (DKN). Given the diversity of stakeholders and geographic spread of activities, the Mission recognizes the need for additional meetings to build consensus among stakeholders including government, private sector representatives, forest-based communities including women, civil society organizations, and national and international development partners.

9. The Second Joint Mission, to be fielded from 12 to 16 December, will review all feedback received from stakeholders by 12 December in writing or through other channels such as the Forest Forum organized by the DKN on 21 November. The Second Joint Mission will then finalize the draft investment plan for internal review by the GOI and for subsequent posting on web site for receiving further feedback. The Mission will ensure that the Investment Plan is aligned with the national REDD+ Strategy. The composition of the Second Joint Mission team is given in Appendix 1. A preliminary schedule is given in Appendix 2.

10. The Second Joint Mission is expected to result in production of two outputs:

- (i) An Aide Memoire summarizing the priority investment options as agreed by the GOI and other stakeholders. The priority investment options would be detailed and include the role of various GOI agencies at the national and the local level, as well as the role of MDBs and other development partners.
- (ii) A draft of the forest investment plan to be posted on GOI web site for at least 3 weeks for receiving feedback from other stakeholders including development partners.

11. The Second Mission will consider the recommendations from the Asia consultations on the DGM for Indigenous Peoples and Local Communities, and place special focus on the interface between FIP investments and financing through the DGM. The Mission will meet with relevant organizations to listen to their plans on how to conduct the preparation of the DGM. Attention will be given to monitoring and evaluation (M&E) arrangements as related to the FIP results framework. The Mission will lay out the general approach to ensure that necessary information on various indicators of the results framework will be collected.

12. The draft Investment Plan will be posted on the relevant national websites for three weeks. The team will collect and assess the final comments from stakeholders and external peer reviewers and finalize the investment plan before submitting to the CIF AU for consideration by FIP Subcommittee in its meeting in May 2012.

13. FIP Sub Committee endorsement of the investment plan signals the assignment of project preparation grants and eventually funds to co-finance projects, which will be prepared in partnership between relevant GOI institutions, MDBs and other stakeholders. Allocated project funds (grants and concessional financing) will become available after approval by the Sub Committee and through the project cycle of the individual MDBs.

Mission Composition (MDB Team members, assignments and expected contributions)<sup>2</sup>

Mission member	MDB	Assignment	Expected contribution to mission outputs
1. Ancha Srinivasan Principal Climate Change Specialist, Southeast Asia Department ( <a href="mailto:asrinivasan@adb.org">asrinivasan@adb.org</a> ) +632 6324786	ADB	Co-Mission Leader. Lead preparation and finalization of investment plan; Coordinate consultations with various stakeholders.	Provide technical guidance, review synthesis report and ensure over all preparation and quality of the investment plan in accordance with the FIP Guidelines.
2. David McCauley Lead Climate Change Specialist, Regional and Sustainable Development Department ( <a href="mailto:dmccauley@adb.org">dmccauley@adb.org</a> ) +632 6325423	ADB	Coordination of investment plan development with ADB climate change program and UNFCCC requirements, and liaison with CIF Administrative Unit on FIP requirements.	Liaison with GOI; Ensure that investment plan is consistent with ADB climate change program activities and objectives; technical guidance and support in reviewing the synthesis report; assist with identification of potential investments under the FIP; oversee over all preparation and quality of the Investment plan while ensuring adherence to the FIP and the CIF Guidelines.
3. Marilou Drilon, Environment Specialist, Southeast Asia Department, (Project Officer for Heart of Borneo Initiative) ( <a href="mailto:mldrilon@adb.org">mldrilon@adb.org</a> ) +632 6326872	ADB	Coordination of investment plan development on ADB side with regard to forestry programs in Borneo	Review draft investment plan for relevance and completeness vis-à-vis HOB program and assist with finalization of relevant project-level concept papers for the investment plan annexes
4. Nasimul M. Islam, Natural Resources Management Specialist, Indonesia Resident Mission, ( <a href="mailto:mnislam@adb.org">mnislam@adb.org</a> ) +62 21 2512721	ADB	Assist with engagement with development partners and civil society stakeholders including local communities	Support stakeholder consultations with implications for the FIP design and provide related assistance in drafting the Joint Communication and investment plan.
5. Ms. Rowena Crispina Soriaga, REDD+ Consultant, Regional and Sustainable Development Department	ADB	Assist with aspects of indigenous and local communities, women and grant mechanism	Help with collection of information on existing forest management and sustainable livelihood activities, and provide inputs to the investment plan.
6. Ms. Wardani, Project Implementation Officer, Indonesia Resident Mission, Southeast Asia Department +62 21 2512721	ADB	Support synthesis of investment plan materials and associated Annexes, including inputs from the preparation grant team.	Provide logistical support to the team specifically preparing the mission announcement; assisting the GOI in making appointment with identified stakeholders; and support the conduct of multi-stakeholder workshops.

<sup>2</sup> The team will be supported by resources provided through the FIP Preparation Grant. All listed mission members may not participate but will contribute to the outputs.

7. Werner Kornexl, Indonesia Country Office, World Bank	IBRD	Co-Mission Leader. Lead coordination of investment plan development on IBRD side	Coordinating and reviewing IBRD sections and overall sections of investment plan. Ensuring quality control and consistency of investment plan with FIP requirements, criteria and modalities. Lead and participate in discussions with GOI.
8. Timothy Brown, Senior Natural Resource Economist, Indonesia Country Office, World Bank	IBRD	Support the team on climate change policy and institutional context in Indonesia.	Contribute to IBRD sections of the investment plan. Participate in discussions with GOI.
9. Emile Jurgens, Forestry Specialist (Consultant), Indonesia Country Office, World Bank	IBRD	Provide guidance on FIP procedures. Contribute to investment plan sections as required	Ensure completeness and quality of investment plan. Assist in preparation of concept papers.
10. Mubariq Ahmad Senior Environmental Specialist, Indonesia Country Office, World Bank	IBRD	Support the team on forest and land use policy and institutions analysis	Contribute to IBRD sections of the investment plan. Assist in preparation of concept notes and project design features.
11. Juan Martinez, Social Safeguards Specialist, Indonesia Country Office, World Bank	IBRD	Support the team on outreach and consultation issues, assessment of potential impacts and mitigation measures	Contribute to IBRD sections of the investment plan. Ensure consistency of consultation process with FIP requirements.
12. Michael Allen Brady, Senior Operations Officer, Indonesia Country Office, IFC	IFC	Joint Mission Leader. Lead coordination of investment plan development on behalf of IFC	Coordinating and reviewing IFC sections and overall sections of investment plan; Ensuring quality control and consistency of investment plan with FIP requirements, criteria and modalities; Lead and participate in discussions with GOI.
13. Joyita Mukherjee, Senior Operations Officer, IFC Washington DC	IFC	Support the team on IFC financing procedures and potential investments in Indonesia; Contribute to investment plan sections as required; Liaison with FIP Sub committee	Contribute to IFC sections of the investment plan.
14. Haris Iskandar, Forest Carbon Consultant, Indonesia Country Office, IFC	IFC	Support the team on climate change policy and institutional context in Indonesia. Contribute to investment plan sections as required	Contribute to IFC sections of the investment plan. Assist in preparation of concept papers. Participate in discussions with GOI. Ensure consistency of investment plan with FIP requirements.
15. Rahajeng Pratiwi, Operations Officer, Indonesia Country Office, IFC	IFC	Support the team on forest, on outreach and consultation issues, and global good practice	Contribute to IFC sections of the investment plan. Assist in preparation of concept notes and project design features.

### Proposed Dates for 2011 FIP Indonesia Programming

Description/Activity	Dates
Finalize and submit TOR to MDBs for Approval	3 June 2011
FIRST Joint Mission	13-22 July 2011
SECOND Joint Mission	12-16 December 2011
Submission of Forest Investment plan to CIF AU for advance review by FIP Sub Committee	Late March 2012
Consideration by FIP Sub Committee	30 April – 4 May 2012

#### Tentative Agenda for the Second Joint Mission:

- Day 1 am: Kick-off meeting at Forestry Ministry (GOI and MDBs)
- Day 1 pm: Meeting with private sector representatives
- Day 2 am: Meeting with Civil Society Organizations
- Day 2 pm: Meeting with Development Partners
- Day 3 am: National multi-stakeholder meeting
- Day 3 pm: Incorporation of feedback in draft investment plan
- Day 4: Finalization of Aide Memoire
- Day 5: Wrap-up, Presentation and Distribution of Draft Aide Memoire