Global Environment Facility
Grant Agreement

(Strengthening of Social Forestry in Indonesia Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility
GLOBAL ENVIRONMENT FACILITY
GRANT AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF INDONESIA ("Recipient") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"), acting as an implementing agency of the Global Environment Facility ("GEF"). The Recipient and the Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix to this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through its Ministry of Environment and Forestry ("MOEF") in accordance with the provisions of Article II of the Standard Conditions and Schedule 2 to this Agreement.

Article III
The Grant

3.01. The Bank agrees to extend to the Recipient a grant in an amount not to exceed fourteen million three hundred seventeen thousand nine hundred and nine United States Dollars ($14,317,909) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.
Article IV
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the Bank has been furnished to the Bank, that the Recipient have established a National Project Management Unit with staffing, terms of reference and resources satisfactory to the Bank.

4.02. Except as the Recipient and the Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 (ninety) days after the Signature Date, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Bank shall promptly notify the Recipient of such later date.

Article V
Recipient’s Representative; Addresses

5.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

5.02. For purposes of Section 7.01 of the Standard Conditions: (a) the Recipient’s address is:
Directorate General of Budget Financing and Risk Management
Ministry of Finance
Gedung Frans Seda
Jalan Dr. Wahidin Raya No. 1
Jakarta 10710, Indonesia; and

(b) the Recipient’s Electronic Address is:
Facsimile: +62-21-381-2859

5.03. For purposes of Section 7.01 of the Standard Conditions: (a) the Bank’s address is:
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank’s Electronic Address is:
Facsimile: 1-202-477-6391
AGREED as of the Signature Date.

REPUBLIC OF INDONESIA

By

Authorized Representative

Name: LUKY ALFIRMAN
Title: DIRECTOR GENERAL OF BUDGET, FINANCING AND RISK MANAGEMENT
Date: JUNE 17, 2020

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility

By

Authorized Representative

Name: SATU KÄHÖNEN
Title: COUNTRY DIRECTOR
Date: JUNE 18, 2020
SCHEDULE 1
Project Description

The objective of the Project is to improve access to forest land use rights and strengthen community management in selected priority areas allocated for social forestry.

The Project consists of the following parts:

Part 1: Policy and institutional strengthening to support social forestry

1.1. **Policy and Regulations.** Developing, strengthening, and harmonizing relevant frameworks, policies, regulations and procedures at the national and subnational levels (provincial and district levels) to support the Social Forestry Program.

1.2. **Institutional Strengthening.** Strengthening and developing the Recipient’s institutional capacity to support social forestry activities including, but not limited to: (i) supporting the establishment of provincial task forces; (ii) providing technical assistance to increase the capacity of communities to resolve disputes; (iii) supporting the establishment of village forest institutions (*lembaga pengelolaan hutan desa*) and forest farmers groups (*kelompok tani hutan*); and (iv) supporting the review and processing of management plans.

1.3. **Knowledge Generation and Management and Technical Assistance.** Providing technical assistance to develop and apply geospatial tools and information systems for the Social Forestry Program, and to enable knowledge exchange and experiences associated with social forestry.

Part 2: Strengthening community management within social forestry

2.1. **Management Planning.** Providing technical assistance to the Beneficiary Communities in preparing Sustainable Forest Management Plans, including supporting participatory mapping and demarcation of areas related to social forestry.

2.2. **Development of Sustainable Livelihood Models.** Providing: (i) technical assistance; and (ii) Community Grants to Beneficiary Communities to support the development of social forestry-based income generating activities.

2.3. **Development and Implementation of Priority Community Investments.** Providing Community Grants to Beneficiary Communities to: (i) implement Sustainable Forest Management Plans prepared under Part 2.1 of the Project; and (ii) undertake social forestry activities designed to develop and scale up community enterprises.

Part 3: Project management and monitoring and evaluation

Providing technical and operational assistance to support Project implementation, including coordination, technical matters, procurement, financial management, social and environmental safeguards, monitoring and evaluation, and reporting.
Section I.  **Institutional and Other Arrangements**

A.  **Institutional Arrangements**

1. The Recipient shall maintain or cause to be maintained throughout the implementation of the Project, with a mandate, composition, staffing and resources acceptable to the Bank, the National Project Management Unit which shall be: (i) led by the Director of Area Preparation for Social Forestry; (ii) chaired by an official appointed by the Director of Area Preparation for Social Forestry; (iii) comprised of technical and administrative professionals for the Project, including, but not limited to: (A) a Project coordinator; (B) financial management specialist; (C) procurement specialist; (D) social development specialist; and (E) environmental management specialist; and (iv) responsible for the day-to-day implementation and coordination of the Project; and

2. The Recipient shall, by no later than three (3) months after the Effective Date, establish and thereafter maintain or cause to be maintained throughout the implementation of the Project, the following structures, all with a mandate, composition, staffing and resources acceptable to the Bank:

   (a) the National Steering Committee, which shall be: (i) chaired by the Director General of Social Forestry and Environmental Partnership, MOEF; (ii) comprised of, *inter alia*, representatives from the MOEF (including the Extension and Human Resources Development Agency), Ministry of National Planning and Development, Ministry of Home Affairs, Ministry of Villages, Disadvantaged Areas and Transmigration ("MOV"), Ministry of Finance, Ministry of Cooperatives and Small and Medium Enterprises, national bank, academia and non-government organizations; and (iii) responsible for overall strategic direction for the Project, reviewing and approving Annual Work Plans and Budgets and overall Project implementation;

   (b) the National Technical Committee, which shall be: (i) chaired by the Director of Area Preparation for Social Forestry, MOEF; (ii) comprised of, *inter alia*, representatives from the MOEF (including the Extension and Human Resources Development Agency), Ministry of National Planning and Development, Ministry of Home Affairs, MOV, Ministry of Finance, Ministry of Cooperatives and Small and Medium Enterprises, national bank, academia and non-government organizations; and (iii) responsible for providing technical guidance to Project implementation at the subnational level; and

   (c) the Subnational Project Management Unit, which shall be (i) established at the subnational level under the relevant Forest Management Unit or Provincial Forestry Office; and (ii) responsible to provide the day-to-day management of the Project at the subnational level.
B. Project Operations Manual

1. The Recipient shall:

(a) prepare a manual, in form and substance satisfactory to the Bank, for the purposes of ensuring the proper implementation of the Project. The said manual shall contain detailed arrangements and procedures for, inter alia: (a) institutional coordination and day-to-day execution of the Project; (b) Community Grants arrangements (c) disbursement and financial management; (d) procurement; (e) environmental and social safeguards management; (f) monitoring and evaluation, reporting and communication, including performance indicators; (g) preparation of Sustainable Forest Management Plans; and (h) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; as said manual may be modified from time to time with the prior written no-objection of the Bank, and such term includes any schedules, annexes and attachments to such manual, including the Community Grant Sub-Manual;

(b) (a) furnish to, and exchange views with the Bank on such manual promptly upon its preparation; (b) by no later than three (3) months after the Effective Date, adopt such manual as shall have been approved by the Bank (“Project Operations Manual”); and (c) thereafter implement the Project in accordance with the Project Operations Manual (provided, however, that in the event of any conflict between the arrangements and procedures set out in the Project Operations Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail); and

(c) shall not amend, abrogate or waive any provision of the Project Operations Manual unless the Bank has provided its prior no-objection thereof in writing.

C. Annual Work Plans and Budgets

1. The Recipient shall prepare and furnish to the Bank, by not later than one (1) month after the beginning of each fiscal year of the Recipient of each year during the implementation of the Project (or such later interval or date as the Bank may agree), for the Bank’s review and no-objection, an Annual Work Plan and Budget, which shall, inter alia: (a) list all activities (including Operating Costs and Training and Workshops) proposed to be included in the Project for the following fiscal year of the Recipient; (b) provide a budget for their financing; and (c) describe the environmental and social safeguards measures taken or planned to be taken in accordance with the provisions of Section I.E. of this Schedule 2.

2. The Recipient shall ensure that the Project is implemented in accordance with the Annual Work Plans and Budgets accepted by the Bank for the respective fiscal year; provided, however, that in case of any conflict between the Annual Work Plans and Budgets and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Recipient shall not make or allow to be made any change to the Annual Work Plans and Budgets unless the Bank has provided its prior no-objection thereof in writing.
D. Subprojects

1. For the purposes of carrying out the activities under Part 2.2(ii) and Part 2.3 of the Project, the Recipient shall through MOEF:

(a) after the selection of a Subproject, enter into an agreement with the Beneficiary Communities ("Subproject Agreement"), under terms and conditions approved by the Bank and included in the Project Operations Manual, for the provision of Community Grants for the implementation of Subprojects; and

(b) ensure that each Subproject Agreement is prepared in form and substance satisfactory to the Bank and in line with the provisions set forth to this effect in the Project Operations Manual, in which the Recipient shall obtain rights adequate to protect its interests and those of the Bank, including the right to:

(i) suspend or terminate the right of the Beneficiary Communities to use the proceeds of the Community Grant, or obtain a refund of all or any part of the amount of the Community Grant then withdrawn, upon the Beneficiary Community's failure to perform any of its obligations under the Subproject Agreement; and

(ii) require each Beneficiary Community to:

(A) carry out its pertinent Subproject with due diligence and efficiency and in accordance with sound technical, economic, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines;

(B) provide, promptly as needed, the resources required for the carrying out of the Subproject;

(C) procure the goods, works, Non-consulting Services and consulting services to be financed out of the Community Grants in accordance with the provisions of this Agreement;

(D) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the pertinent Subproject and the achievement of its objectives;

(E) maintain a simplified financial management system and records in accordance with consistently applied accounting standards acceptable to the Bank for community driven initiatives;

(F) enable the Recipient and the Bank to inspect the pertinent Subproject, its operation and any relevant records and documents; and

(G) prepare and furnish to the Recipient and all such information as the Recipient or the Bank shall reasonably request relating to the foregoing.

2. The Recipient shall exercise its rights under each Subproject Agreement in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the Subproject. Except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subproject Agreement or any of its provisions.
E. Environmental and Social Standards.

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.

2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Recipient shall ensure that:

   (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;

   (b) sufficient funds are available to cover the costs of implementing the ESCP;

   (c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and

   (d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Bank shall otherwise agree in writing and the Recipient has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Recipient shall:

   (a) take all measures necessary on its part to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

   (b) promptly notify the Bank of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers including workers hired by primary suppliers, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.

4. The Recipient shall maintain and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.
Section II. Project Monitoring, Reporting and Evaluation

A. Documents; Records

In addition, and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

(a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient’s financial and narrative progress reports submitted to the Bank; (iii) the Recipient’s financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient’s implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donor(s).

B. Project Reports

The Recipient shall ensure that each Project Report is furnished to the Bank not later than 45 days after the end of each calendar semester, covering the calendar semester.

C. Mid-Term Review

1. The Recipient shall carry out, jointly with the Bank, not later than three (3) years after the Effective Date, or such other period as may be agreed with the Bank, a mid-term review of the Project (the “Mid-Term Review”) to assess the status of Project implementation, as measured against the Project indicators acceptable to the Bank, and compliance with the legal covenants included or referred to in this Agreement. Such review shall include an assessment of the following: (a) overall progress in implementation; (b) results of monitoring and evaluation activities; (c) progress on procurement and disbursement; (d) progress on implementation of environmental or social safeguards measures; (e) implementation arrangements and Project staff turnover; and (f) the need to make any adjustments to the Project to improve performance. To this end, the Recipient shall:

(i) prepare and furnish to the Bank, at least one (1) month before the date of the Mid-Term Review, a report, in scope and detail satisfactory to the Bank and integrating the results of the monitoring and evaluation activities performed pursuant to Section II.B. of this Schedule 2 and the Standard Conditions, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and

(ii) review, jointly with the Bank, the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Bank’s views on the matter.
Section III. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; and (b) this Section; to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, Operating Costs, Training and Workshops and consulting services under Parts 1, 2.1, 2.2(i) and 3 of the Project</td>
<td>10,637,353</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Community Grants under Parts 2.2(ii) and 2.3 of the Project</td>
<td>3,680,556</td>
<td>100% of Community Grants disbursed</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>14,317,909</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
   (a) for payments made prior to the Signature Date; and
   (b) under Category (2) unless and until the Recipient has adopted the Community Grant Sub-Manual, to the satisfaction of the Bank.

2. The Closing Date is June 30, 2025.
APPENDIX

Definitions


2. “Bappenas” or “Ministry of National Planning and Development” means the Recipient’s Ministry of National Planning and Development, or any successor thereto.

3. “Beneficiary Communities” means forest dwellers and users, local communities and/or adat communities organized, or to be organized, as a cooperative, farmer group, village association, and/or other appropriate forms of entity that are eligible to receive the Community Grants, as detailed in the Project Operations Manual, and selected in accordance with the criteria and procedures detailed in the Community Grant Sub-Manual.

4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

5. “Community Grants” means a subgrant made or proposed to be made by the Recipient to the Beneficiary Communities out of the proceeds of the Grant, pursuant to a Subproject Agreement for carrying out the Subproject.

6. “Community Grant Sub-Manual” means a sub-manual containing detailed arrangements and procedures for the provision and implementation of Community Grants, including: (i) the eligibility criteria, procedures and guidelines for the selection, approval, administration and supervision of Beneficiary Communities, Community Grants and Sub-Projects; (ii) details of the sustainable livelihood models to be supported under Part 2.2 of the Project and the community investments to be supported under Part 2.3 of the Project; (iii) template Sub-Project Agreements; and (iv) any other administrative, financial, technical and organizational arrangements and procedures as shall be necessary for the implementation of the Community Grants, and Sub-Projects, which forms an integral part of the Project Operations Manual.

7. “Environmental and Social Commitment Plan” or the acronym “ESCP” means the Recipient’s environmental and social commitment plan, acceptable to the Bank, dated April 30, 2020, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.


9. “Extension and Human Resources Development Agency” means the Recipient’s Extension and Human Resources Development Agency, within the MOEF, or any successor thereto.

10. “Forest Management Unit” means the forest management unit (kesatuan pengelolaan hutan) at the provincial level, established under and reporting to the Provincial Forestry Office.

11. “Ministry of Cooperatives and Small and Medium Enterprises” means the Recipient’s ministry responsible for cooperatives and small and medium enterprises, or any successor thereto.

12. “Ministry of Environment and Forestry” or the acronym “MOEF” means the Recipient’s ministry responsible for environment and forestry or any successor thereto.

13. “Ministry of Finance” means the Recipient’s ministry responsible for finance or any successor thereto.

14. “Ministry of Home Affairs” means the Recipient’s ministry responsible for home affairs, or any successor thereto.

15. “Ministry of Villages, Disadvantaged Areas and Transmigration” or “MOV” means the Recipient’s ministry responsible for villages, disadvantaged areas and transmigration, or any successor thereto.

16. “National Project Management Unit” means the unit established and operating under the MOEF, as referred to in Section I.A.1. of Schedule 2 to this Agreement.

17. “National Steering Committee” means the committee to be established and operating pursuant to Section I.A.2(a) of Schedule 2 to this Agreement.

18. “National Technical Committee” means the committee to be established and operating pursuant to Section I.A.2(b) of Schedule 2 to this Agreement.

19. “Operating Costs” means the reasonable costs under the Project for the purposes of Project management, implementation, and monitoring and evaluation, based on the Annual Work Plans and Budgets, including office supplies and consumables, utilities, bank charges, communications, information and communication campaigns, mass media and printing services, vehicle rental, operation, maintenance and insurance, office space rental, building and equipment maintenances, travel, lodge in, and subsistence allowances, and salaries of contractual and temporary staff, and other costs directly related to the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.


21. “Project Operations Manual” means the manual to be adopted by Recipient for the implementation of the Project referred to in Section I.B of Schedule 2 to this Agreement.
22. “Provincial Forestry Office” means the office or unit established at the provincial level responsible for provincial forestry affairs, established under the autonomy of the relevant provincial government.

23. “Signature Date” means the later of the two dates on which the Recipient and the Bank signed this Agreement and such definition applies to all references to “the date of the Grant Agreement” in the Standard Conditions.

24. “Social Forestry Program” means the Recipient’s program related to social forestry activities, operating pursuant to the Recipient’s 2020-2024 national midterm development plan, Ministry of Environment and Forestry 2015-2019 strategic plan (MOEF Regulation No. P.39/Menlhk-Setjen/2015), and MOEF Regulation No. P.83/MENLHK/SETJEN/KUM.1/10/2016 or any successor(s) thereto.


26. “Subnational Project Management Unit” means the unit to be established and operating pursuant to in Section I.A.2(c) of Schedule 2 to this Agreement.

27. “Subproject” means Part 2.2(ii) and 2.3 of the Project that involves the provision of Community Grants to Beneficiary Communities, in accordance with (i) Section I.D. of Schedule 2 to this Agreement and (ii) the guidelines and procedures set forth in the Project Operations Manual.

28. “Subproject Agreement” means an agreement entered into, or to be entered into, between the Recipient and a Beneficiary Community pursuant to Section I.D. of Schedule 2 to this Agreement for the purpose of extending a Community Grant.

29. “Sustainable Forest Management Plan” means a plan prepared by the Beneficiary Communities to implement social forestry related activities in a given location and for a time period, as detailed in the Project Operations Manual.

30. “Training and Workshops” means the reasonable costs for training activities under the Project, based on the Annual Work Plans and Budgets, and directly attributable to seminars, workshops and study tours, along with travel and subsistence allowances for training participants, course fees, services of trainings, rental or training facilities, preparation, acquisition, distribution and reproduction of training materials, and other activities directly related to course preparation and implementation, but excluding fees of consultants.