


















# Support to World Bank Indonesia Mangroves for Coastal Resilience Project (M4CR) Under Indonesia Oceans MDTF

<p><b>Key results:</b></p> <ul style="list-style-type: none"> <li>- Strengthened policy framework and institutional capacity for mangrove management, including financing of mangrove ecosystems through a blue carbon system.</li> <li>- Approximately 40 million tCO<sub>2</sub>e over 30 years and approximately 3 million tCO<sub>2</sub>e saved during the five-year project timeline from rehabilitation and avoided deforestation activities.</li> <li>- A marketable blue carbon program with international standards, enabling results-based payment.</li> </ul> <p><b>Justification for support:</b></p> <ul style="list-style-type: none"> <li>- The support is listed in the 2021 Danish Finance Act and complements the DKK 12.3 million Danish contribution provided since 2017 for the World Bank Oceans MDTF financed through the Danish Climate Fund.</li> <li>- Indonesia's mangroves account for over 20% of total global mangrove area with the richest mangrove biodiversity in the world and efficient carbon sink. Despite this, Indonesian mangroves are threatened by deforestation and degradation by approximately 13,000 ha per year. The support is relevant to address this problem.</li> <li>- The enabling environment in Indonesia for sustainable mangrove management, including large-scale rehabilitation, is stronger now than ever. The project will contribute to Indonesian key government priorities and its climate change agenda, including the midterm development plan (RPJMN 2020–2024) and the government target of 600,000 hectares of mangrove rehabilitation between 2021 and 2024.</li> <li>- Both the World Bank and the Government of Indonesia (GoI) are strongly committed to the project with the GoI being the initiator of the first concepts for the project and requesting World Bank support.</li> </ul> <p><b>Major risks and challenges:</b></p> <ul style="list-style-type: none"> <li>- Overlapping policies and investments across sectoral ministries or level of government may hinder achievement of project targets.</li> <li>- The Peatland and Mangrove Rehabilitation Agency ends in 2024, and the mandate will be transferred to Ministry of Environment and Forestry. This process may cause brief disruption to the project.</li> <li>- Complex technical design for mangrove ecosystems that have been converted for alternate use might hinder project success.</li> <li>- Possible insufficient community buy-in and land/access conflict.</li> </ul>	<b>File No.</b>	2021-35555						
	<b>Country</b>	Indonesia						
	<b>Responsible Unit</b>	Jakarta						
	<b>Sector</b>	Climate action						
	<b>Partner</b>	The World Bank Indonesia (IBRD)						
	<b>DKK mill.</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Tot</b>
	<b>Commitment</b>	35						35
	<b>Projected ann. disb.</b>	31,64	1,68	1,68				35
	<b>Duration</b>	5 years (2022–2027)						
	<b>Previous grants</b>	Indonesia Oceans MDTF, 12,500,000 DKK						
	<b>Finance Act code</b>	06.34.01.70						
	<b>Head of unit</b>	Lars Bo Larsen						
	<b>Desk officer</b>	Julie Bülow Appelqvist						
	<b>Reviewed by CFO</b>	YES						
<b>Relevant SDGs</b> <i>[Maximum 1 – highlight with grey]</i>								
 No Poverty	 No Hunger	 Good Health, Wellbeing	 Quality Education	 Gender Equality	 Clean Water, Sanitation			
 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption & Production			
 Climate Action	 Life below Water	 Life on Land	 Peace & Justice, strong Inst.	 Partnerships for Goals				

**Strategic objectives:**

The Project Development Objective of the overall M4CR is to enhance the management of target mangroves and the resilience of local communities. M4CR will support the long-term, sustainable management of mangrove ecosystems in Indonesia and improve ecosystem services and livelihoods in target coastal communities. The Danish-supported Subcomponent 1.4. “Facilitating Payments for Blue Carbon” will support Indonesia’s readiness to access blue carbon finance, which could contribute significantly to its NDCs and other emission reduction goals.

**Justification for choice of partner:**

The World Bank Indonesia, is a very capable stakeholder. The Indonesian office of World Bank is the largest outside Washington and have shown commitment and dedication to the mangrove project. The World Bank has significant experience and a record of accomplishment in providing technical assistance and investment financing to governments in building coastal resilience. The World Bank has been engaged with Government of Indonesia on mangroves since 2019, including policy dialogue and advice to government entities.

**Summary:**

The Danish support will complement Indonesia Mangroves for Coastal Resilience Project (M4CR), consisting an IBRD loan of US\$ 400 mio to rehabilitate and promote sustainable mangrove landscape management and to improve livelihood opportunities for mangrove communities, and a grant of US\$ 15 mio. including from this Danish grant, which will strengthen policy and institutions for mangrove management. The Danish support contributes to Subcomponent 1.4 “Facilitating Payments for Blue Carbon” of the M4CR, supporting to Indonesia’s readiness to access blue carbon finance, which could contribute significantly to its NDCs and other emission reduction goals.

**Budget:**

Output 1: Develop Blue Carbon Program for Project Area	31,150,000 DKK
Output 2: Strengthen the functionality of the mangrove thematic working group (POKJA Mangrove)	700,000 DKK
Output 3. Improved communication and public outreach for the Indonesia mangroves for coastal resilience project	700,000 DKK
Admin Fee and Trust Fund Administration and Management activity	2,450,000 DKK
<b>Total</b>	<b>35,000,000 DKK</b>



**Project Document**

**Danish support to the Indonesia Mangroves for Coastal  
Resilience Project**

**Embassy of Denmark to Indonesia  
Ministry of Foreign Affairs of Denmark  
February 2022**

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## Abbreviations

ASEAN	The Association of Southeast Asian Nations
BAPPENAS	Ministry of Planning
BETF	Bank Executed Trust Fund
BPDASHL	Center for Watershed Management and Forest Protection, <i>Badan Pengelola Daerah Aliran Sungai dan Hutan Lindung</i>
BRGM	Peatland and Mangrove Restoration Agency, <i>Badan Restorasi Gambut dan Rehabilitasi Mangrove</i>
CMMAI	Ministry of Maritime Affairs and Investment
CMMA	Coordinating Ministry of Maritime Affairs
CMU	World Bank's Country Management Unit
COP26	The 2021 United Nations Climate Change Conference
COREMAP-CTI; P130389	Coral Reef Rehabilitation and Management Program-Coral Triangle
COVID-19	Coronavirus disease 2019
DAC	DAC Principles for the Evaluation of Development Assistance, OECD
DG	Directorate General
DMPM	Mangrove Stewardship Village, <i>Desa Mandiri Peduli Mangrove</i>
EA	Executing Agency
ENR	World Bank's Environment and Natural Resources Global Practice
ESP3	Environmental Support Program 3
FCPF	Forest Carbon Partnership Facility
FMA	Financial Management Assessment
FRR	Final Results Report
Gol	Government of Indonesia
IAS	Implementing Agencies
IBRD	International Bank for Reconstruction and Development
IEF	Indonesia Environmental Fund
IFAD	International Fund for Agricultural Development
IPF	Investment Project Financing
ISM	Implementation Support Missions
M4CR	Mangroves for Coastal Resilience Project
M&E	Monitoring and Evaluation
MEMR	Ministry of Energy and Mineral Resources

MDTF	Multi-Donor Trust Fund
MFA	Danish Ministry of Foreign Affairs
MMAF	Ministry of Maritime Affairs and Fisheries
MoEF	Ministry of Environment and Forestry
MoF	Ministry of Finance
MOHA	Ministry of Home Affairs
MOV	Ministry of Villages
MPWH	Indonesian Ministry of Public Works and Housing
MRV	Measurement, Reporting and Verification
NDC	Nationally Determined Contribution
NGO	Non-governmental Organization
NPV	Net Present Value
Oceans-MTDF	Indonesia Oceans, Marine Debris and Coastal Resources Multi-Donor Trust Fund
PASA P174562	Initiative, the Indonesia Support for Village Development
PBCs	Performance-Based Conditions
PDASRH	Watershed Management and Forest Rehabilitation, <i>Pengelolaan Daerah Aliran Sungai dan Rehabilitasi Lahan</i>
PEN	COVID-19 Recovery Program, <i>Program Pemulihan Ekonomi Nasional</i>
PIU	Project Implementation Unit
PMK	Minister of Finance Regulation, <i>Peraturan Menteri Keuangan</i>
PMN	National Mangrove Map, <i>Peta Mangrove Nasional</i>
PMO	Project Management Office
POKJA KKMN	National Mangrove Working Group, <i>Kelompok Kerja Mangrove Nasional</i>
PP	Government Regulation, <i>Peraturan Pemerintah</i>
PPIUs	Provincial Project Implementation Units
PPSD	Project Procurement Strategy for Development
REDD+	Reducing Emissions from Deforestation and Forest Degradation
REL	Reference Emissions Level
RETF	Recipient Executed Trust Fund
SC	Trustee and the Steering Committee
SDG	Sustainable Development Goals
Sea-MAP	Southeast Asia Regional Program on Combating Marine Plastic
SLMP	Sustainable Landscape Management Program

SSCs	Strategic Sector Cooperations
TOR	Terms of Reference
TT	Technical Team, <i>Tim Teknis</i>
TTL	World Bank-designated OMC MDTF Task Team Leader
USAID	United States Agency for International Development
WB	World Bank

## 1. Introduction

The present project document outlines the background, rationale and justification, objectives and management arrangements for the Danish support of DKK 35 million to development cooperation concerning the Indonesia Mangroves for Coastal Resilience Project (M4CR), through the Indonesia Oceans, Marine Debris and Coastal Resources Multi-Donor Trust Fund (OMTDF), for the period March 2022 to December 2027 as agreed between The World Bank (WB) and the embassy of Denmark in Jakarta. The project document and the documentation specified below link to the bilateral agreement with the World Bank. “The documentation” refers to the partner documentation for the supported intervention, which is The World Bank Indonesia Mangroves for Coastal Resilience Project (M4CR).

The M4CR intends to reduce climate change vulnerabilities from more extreme precipitation, increased drought, and sea level rise – and the associated increased risk of flooding, salinization, and erosion – which are expected to worsen. Combined with the degradation of coastal ecosystems, coastal areas are extremely vulnerable to climate risks. The project is intended to contribute to climate change adaptation and mitigation by strengthening management of mangrove ecosystems. Denmark will finance one sub-component of the project (Subcomponent 1.4 “Facilitating payment for blue carbon”) which supports access to blue carbon finance for conservation and rehabilitation of degraded mangroves, including integrating carbon into monitoring systems and supporting policies, governance, and regulations. This will in turn support efforts to reduce emissions and contribute to the long-term sustainability of the project. Denmark will also support WB supervision and technical assistance to strengthen the foundations for this sub-component, including on the coordination of the National Mangrove Working Group (POKJA mangrove), communication/outreach, and knowledge base/analysis for and exploration of carbon financing opportunities and readiness.

The project is fully aligned with the Danish Strategy for Development Cooperation “The World We Share” (2021) and the Danish Government’s Long-term Strategy for Global Climate Action “A Green and Sustainable World” (2020). Both strategies call to strengthen focus on climate change, enhanced Danish engagement to halt environmental degradation and deforestation. In addition, the strategies specify that Denmark will promote the use of nature-based solutions’ focus on protecting, restoring and using natural resources sustainably to tackle challenges such as climate change (mitigation and adaptation), biodiversity loss, food insecurity and poverty.

The project particularly supports the objective of Sustainable Development Goal 13 (SDG13), which aims to take urgent action to combat “Climate Change” and its impacts and to promote the Paris Agreement on climate change. Additionally, the project will address SDG1 on “No Poverty”, which aims to “leave no one behind” and eradicate extreme poverty including finding solutions to



threats caused by climate change. However, ensuring coastal resilience by protecting and restoring mangroves is an enabler for several other SDGs such as SDG14 on “Life Below Water” and SDG15 on “Life on Land”.

The M4CR is not yet (as of February 2022) formally approved by the World Bank’s decision-making body and the Danish grant to the project, through the OMDTF, will be approved before the final approval by the World Bank Board on April 20, 2022. However, the project is considered high priority by both the World Bank and the Government of Indonesia and has been discussed at high-level meetings within the World Bank and with the Indonesian government. Furthermore, the project has already been through several favourable internal reviews at the World Bank. The risk of the project not being approved is considered very unlikely.

## **2. Context, strategic considerations, rationale and justification**

### **2.1. Context**

More than 22% of the world's mangroves are found along the coasts of Indonesia, making Indonesia the country in the world with the most mangroves. Although more than half of Indonesia's 3.4 million ha of mangroves have been degraded from its original stage due to human activity, it is estimated that there are still about 7.2 billion tons of CO<sub>2</sub> stored in mangroves in Indonesia. Similar to the other of Indonesia's 19 total ecosystem types, the mangrove supports an extremely rich biodiversity. Degradation of mangroves contributes to Indonesia's deforestation problems and constitute a loss of biodiversity. In the last 20 years, Indonesia’s total mangrove stock has been undergoing deforestation and degradation at the rate of approximately 13,000 hectares per year.

Indonesia is a growing economy with growth rates pre-Covid at 5 % pa. and a growing middleclass. However, a large part of Indonesia’s economy continues to be driven by unsustainable exploitation of natural resources, which undermines the country's stock of natural capital. Coastal communities are among the most vulnerable in Indonesia and face poverty rates above the national average, multiple threats to their livelihoods as well as challenges regarding access to secondary school, safe water, electricity and transportation

The mangroves play a crucial role for the lives and livelihoods of Indonesia’s coastal communities, and a study from WB in 2020 confirms that mangrove forests are regarded as important income and food sources, recognized for their fish habitat values and non-timber forest products. Besides highlighting the importance of mangrove forest for the coastal communities, the study found household dependence on mangrove forest products to be higher among poorer, less educated, older, and landless households, further highlighting the vulnerability and importance of the Indonesian mangrove forests and their well-being.

Despite their significant value, mangroves are threatened by deforestation, degradation and unsustainable use. A key underlying driver of this is economic forces, a lack of acknowledgement and an inability to capitalize on the high and diverse values of mangrove ecosystem goods and services, and resultant pressure to exploit homogenous high-value commodities based on simplified business models. The main causes are conversion to aquaculture ponds and development of oil palm plantations. Climate change compounds these challenges, undermining the natural resilience of mangrove ecosystems.

Mangrove deforestation and degradation are driven by inadequate and conflicting policies, perverse incentives, lack of coordination among institutions, and collaboration with coastal communities. The lack of coordination between different institutions is a key issue. One WB study found that over 20 institutions have some responsibility for mangrove management, making coordination extremely difficult. There is limited cross-sectoral coordination at national level and limited participation of subnational government, communities and private sectors in mangrove management.

The Government of Indonesia (GoI) is aware and committed to addressing these barriers. Led by the Ministry of Environment and Forestry (MoEF), the GoI is planning to adopt an overarching policy on sustainable management and conservation of mangrove ecosystem and to strengthen multisectoral coordination platforms at national and subnational levels, including participation of stakeholders from non-government organizations and the private sectors.

## **2.2. Justification for the support**

The Danish support of DKK 35 million will be distributed through Indonesia Oceans, Marine Debris and Coastal Resources Multi-Donor Trust Fund (OMTDF) and will complement an IBRD loan of US\$ 400 million to rehabilitate and promote sustainable mangrove landscape management and to improve livelihood opportunities for mangrove communities, and an additional US\$ 15 million in grants distributed through Sustainable Landscape Management Program Multi Donor Trust Fund (SLMP MDTF), which is supported by Australia and Norway.

The Danish Embassy in Indonesia being a “Climate front post”, having two SSC-programs within environment and energy, support to ASEAN on circular economy and marine litter, has a special interest in activities within the green agenda which can underpin the focus area.

The Danish support to sub-component 1.4 “Facilitating payment for blue carbon” will contribute to provide the GoI incentives for sustainable management and conservation of mangrove ecosystems, and by this contribute to SDG 13 on climate change and SDG 15 on life on land. By creating enabling conditions for blue carbon financing, GoI would be able to leverage and monetize the ecosystem services provided by mangroves, and thus strengthen the policy and institutional framework for mangrove management. The additional Danish support to underlying

institutional aspects – coordination, communication, and analysis – will strengthen the foundations for the success of sub-component 1.4.

Also, the whole project will contribute to Indonesia's COVID-19 green recovery by promoting cash-for-work for labor-intensive coastal activities (mangrove planting and management) and the promotion of business opportunities for medium-term recovery (SDGs 1).

In Indonesia, the enabling environment for sustainable mangrove management has progressed. At COP26 Indonesia has pledged to reach carbon neutrality in the forest sector by 2030. Mangroves acting as a carbon sink could be a significant contributor to carbon neutrality. Indonesia has committed itself, through nationally determined contribution (NDC) to reduce CO2 emissions by 29 percent by 2025 and up to 41 percent, with international support, by 2030. In 2020, the (CMMAI) developed a strategy to accelerate action on mangrove rehabilitation setting a target of 600,000 hectares of mangrove rehabilitation between 2021 and 2024 and have since then prioritized the mangrove agenda amongst other things by updating the national Mangrove Map.

M4CR will contribute to Gol's midterm development plan (RPJMN 2020–2024), particularly to Priority Area 1: “strengthening and improving resilience of the economy for quality growth,” and Priority Area 6: “improving the environment and resilience against natural disasters and climate change”. It also contributes to its Forestry and other land use Net Sink 2030 commitment which aims to transform forestry and other land use sectors including mangroves into a carbon sink by 2030. Finally, it contributes to the 2017 National Ocean Policy and the Aichi Biodiversity.

The Gol is strongly committed to M4CR with the Gol being the initiator of the first concepts for the project and requesting World Bank support (see annex 6). The WB has worked closely with the Coordinating Ministry of Maritime Affairs and Investment (CMMAI), the Ministry of Environment and Forestry (MoEF), the Peatland and Mangrove Restoration Agency (BRGM), and other relevant ministries/agencies to develop the project accordingly. For the sub-component 1.4 “Facilitating payments for blue carbon” the Gol, demonstrating its commitment and political buy in, has the ambition to develop the project from a pilot project to a full scale project with an entire program area of hundreds of thousands of hectares. The M4CR and especially sub-component 1.4 is characterized by its big political buy in and a source of significant national pride, and the Gol hopes to use the project as a global model.

#### *Aid effectiveness and justification of programme for DAC criteria*

According to the six DAC criteria, the programme design and Danish contribution are evaluated as follows:

<b>DAC Criteria</b>	<b>Evaluation</b>
<b>Relevance</b>	The project contributes to key government priorities and its climate change agenda
<b>Impact</b>	<p>The project is a key tool to implement Presidential Regulation 2020/120, which aims to rehabilitate 600,000 hectares of degraded mangrove by 2024.</p> <p>With subcomponent 1.4. the project adds an important incentive to develop and institutionalize the systems necessary for long-term results achievement, due to upfront requirements of carbon payees as well as future carbon payment opportunities that may become available as carbon markets mature.</p>
<b>Effectiveness</b>	<p>The project will build capacity at the national, subnational, and village level to assess appropriate sites for mangrove rehabilitation coupled with best-practice techniques to both increase the performance of mangrove rehabilitation in Indonesia and encourage institutional learning as a form of adaptive management. The 1.4. subcomponent will support the Gol in leveraging additional finance from payments for “blue carbon,” which is expected to be stored in successfully rehabilitated mangroves or in areas whose conversion is avoided through conservation.</p> <p>Under the project itself, the government will retain the option of seeking higher-priced emissions reduction credits if and when market demand (and the quality of the government’s credits) allows, while also providing a price floor that will help prevent regression in case of unfavorable future market prices.</p>
<b>Efficiency</b>	<p>The overall project is expected to generate benefits including (i) increased fisheries and mangrove derivatives production; (ii) increased tourism activity; (iii) increased coastal protection from storms; (iv) carbon sequestration from mangrove ecosystems; (v) income opportunities from sustainable alternative livelihood programs; (vi) improved small-scale infrastructure; and (vii) short-term work opportunities from mangrove planting, contributing to post-COVID economic recovery. Taking into account these benefits, the M4CR project overall is estimated to have an NPV of US\$679 million and benefit–cost ratio of 3.36 under reasonable assumptions. Component 1 (institutional strengthening) is not included in this estimate and could add further benefits via its impacts on mangrove management beyond the Project locations. Use of a higher social cost of carbon (US\$ 44) increases benefits substantially (NPV of US\$ 1,934 million) in line with the significant mitigation outcomes expected.</p>
<b>Coherence</b>	The project is aligned with Danish priorities and will be coordinated with initiatives financed by other development partners throughout project implementation.
<b>Sustainability</b>	<p>The project implementation is fully embedded within existing institutions. Component 1 activities are designed to develop a policy and regulatory environment conducive to continued mangrove management, that underpin rehabilitation and conservation actions within and well beyond the project. Sustainability is further promoted by forums for cross-sectoral coordination, helping to solidify mandates and understanding across agencies, and the strengthening of long-term monitoring systems.</p>

## 2.3. Lessons learned and synergies to other Danish engagements

### *Danish synergies*

The Government of Denmark has been cooperating with the Government of Indonesia to safeguard Indonesia's environment and combat climate change since 2005, through the Environmental Support Program. Environmental Support Program 3 (ESP3, 2013-2019), has been implemented jointly by the Indonesian Ministry of Environment and Forestry (MoEF) and the Ministry of Energy and Mineral Resources (MEMR). Part of the support in ESP3 was to Harapan Rainforest and has been instrumental for the protection of its biodiversity alongside contributing to livelihood development of the communities living in and around the rainforest. See: [XM-DAC-3-1-190384 \(um.dk\)](#)

Currently, Denmark is engaged in several strategic sector cooperations (SSCs) with the GoI, where the two most relevant to M4CR are on environment and energy. The SSC program on environment is partnering with Ministry of Environment and Forestry (MoEF), who will be overall responsible for component 1 in M4CR. MoEF has proved a reliable partner and through the years, Denmark has obtained contacts and credibility within MoEF, that will enhance future cooperation.

Furthermore, and initiated by Denmark and Norway in 2014, the World Bank's Oceans-MDTF has supported technical assistance to implement ocean policy, reduce marine debris and strengthen coastal resilience and been successful in helping to significantly raise the profile of Indonesia's commitment to finding solutions to its sustainable ocean challenges, especially marine debris. OMDTF is chaired by CMMAI and the trust fund will be used to channel the Danish contribution. It will also be CMMAI who will lead implementation of sub-component 1.4., and Denmark, WB and CMMAI are thus familiar with workflows and processes related to the fund.

### *Experiences from World Bank and Indonesia*

M4CR builds on lessons learned in Indonesia and globally on mangrove management and livelihood promotion from the WB portfolio and include projects in Indonesia, such as Coral Reef Rehabilitation and Management Program-Coral Triangle Initiative (COREMAP-CTI; P130389), the Indonesia Support for Village Development PASA (P174562), and in other countries. Lessons are also drawn from previous government programs and projects financed by other partners, particularly the Sustainable Ecosystems Advanced (USAID) and the Coastal Community Development Project (International Fund for Agricultural Development, IFAD).

The WB is one of Denmark's key partners in implementing programs within environment and climate challenges in Indonesia and the region. Current engagement is a DKK 5 million commitment to Southeast Asia Regional Program on Combating Marine Plastic (Sea-MAP) between 2021-2023, which aims to enhance understanding of regional opportunities to strengthen innovation, standards and waste trade to address plastic pollution.

Indonesian engagement in climate change issues has been on-going since early 2007 under the REDD+ framework and is reflected in Indonesia's engagement with the Forest Carbon Partnership Facility (FCPF). These experiences with establishing emission reduction programs that meet international standards and readiness criteria, create a strong foundation for the project's work on blue carbon finance, which the Danish support will build upon.

Supporting international organizations who work with Indonesian government is also a well-tested method from the Danish side to engage with relevant stakeholders and deliver results.

## **2.4. Stakeholders**

The WB Indonesia is the overall project manager with International Bank for Reconstruction and Development (IBRD) providing the loan, SLMP MDTF and OMDTF providing grants for structural support, the GoI of Indonesia being the borrower and Ministry of Environment and Forestry (MoEF) and Peatland and Mangrove Restoration Agency (BRGM), and Coordinating Ministry of Maritime Affairs and Investment (CMMAI) being implementing partners.

### *World Bank Indonesia*

The WB has been engaged with the GoI on mangroves since 2019, including policy dialogue and advice to government entities (MMAF, CMMAI, and BAPPENAS) as well as sub-national governments and leveraging grant funding to finance a series of analytical work and a robust technical assistance program. The WB has proved a trusted and competent partner although less flexible and able to cater to special Danish interest than that of smaller organizations.

### *Ministries and agencies*

CMMAI will be one of the key stakeholders in this project with their central role in the government, the role as the Chair of the Steering Committee of the project, and a Chair of the Mangrove Coordinating Group (POKJA Mangroves). Members of the POKJA mangroves are line ministries relevant to mangrove rehabilitation which includes Ministry of Environment and Forestry (MoEF), Ministry of Marine Affairs and Fisheries (MMAF), Peatland and Mangroves Restoration Agency (BRGM), Ministry of Villages, Ministry of Land Administration, private sector representatives and academics. POKJA Mangroves will be supported by the Danish contribution to the OMDTF, and will be responsible for coordinating mangrove issues broadly and enhance cross-sectoral coordination between multiple stakeholders.

As mentioned above there will be three implementing partners in M4CR, the MoEF and the BRGM and CMMAI. MoEF will be the implementing agency of Component 1 (strengthening policy, coordination and blue carbon) with the exception of sub-component 1.4 which will be implemented by CMMAI. MoEF will also be responsible for the overall management, coordination,

and monitoring of project implementation, including ensuring adequate annual budget allocation, reviewing, and consolidating the annual work plan, alongside technical and financial reporting. The BRGM will be implementing Components 2 and 3 of M4CR. CMMAI is responsible for the implementation of sub-component 1.4 on blue carbon, which can be seen as an advantage in terms of commitment and progress to this part of the project. MoEF will assist with technical knowledge as well as coordination to other parts of M4CR.

### *Targeted Communities*

Sustainability of investments in conservation and rehabilitation will depend substantially on the meaningful participation and support of key stakeholders, especially local communities. Inclusion and participation of coastal communities has been integrated in the design of the project, including through stakeholder consultations in planning and implementation of project activities.

### *Other stakeholders*

The M4CR implementation will be coordinated with initiatives financed by other development partners. This includes Germany-supported Forest Program II, funding from the United States Agency for International Development (USAID) for mangrove management, support from the United Arab Emirates, and the Korean Peace Forest Initiative. The National Mangrove Working Group (Pokja Mangrove) will lead regular donor coordination meetings, led by the CMMAI.

## **2.5. Synergies to Danish supported aid instruments and crosscutting issues and opportunities for Danish engagement**

The overall set-up of M4CR, where Denmark's resources are combined with loans from IBRD and other grants, assist Denmark in achieving a larger impact and a more sustainable use of resources than by designing and implementing a separate project only covering the Danish funds.

The M4CR is an opportunity for Denmark to engage in a country specific programme together with a multilateral agency as the WB and gain operational insights and lessons learned supporting access to blue carbon finance for conservation and rehabilitation of degraded mangroves that can feed into the Danish knowledge and work with other funds and donor agencies.

Channeling funds through the OMDTF (see also Chapter 8) will also give Denmark the opportunity to through steering committee meetings and technical meetings, to have a more proactive role and a larger impact on the implementation of the project than channeling the funds through one of World Bank's basket funds, for instance PROBLUE. It will give an opportunity to communicate clearly about Danish priorities within the green agenda and give a platform to further Danish interests within the area as well as knowledge about Indonesian priorities and policy developments which can be useful for other purposes. As CMMAI, who will be implementing sub-component 1.4, also represent the Gol as co-chair of the OMDTF, it will also give Denmark the

opportunity to follow and monitor the project closely and address concerns directly to CMMAI through the OMDTF.

Moreover, the Danish support corresponds to the global initiatives of recent adopted Danish Government's Action Plan against deforestation e.g. by promoting the protection, conservation and restoration of nature, including forests.

The project also holds the opportunity for engagement of the private sector from Denmark or other countries who wish to engage e.g. in climate compensation as a mean to achieve carbon neutrality.

In terms of alignment with Danish cross cutting priorities the project has as mentioned above its main focus on climate change mitigation and environmental considerations. Complimentary goals of the project are to improve livelihoods and contribute to the SDG1 and 'leave no one behind'-goal as well as challenges with gender and equality within the project scope. Gender mainstreaming will be a core element of the design, implementation, and evaluation of the projects. The Results Framework includes custom indicators as well as corporate requirement indicators on climate, gender, and citizen engagement.

### **3. Project Objective**

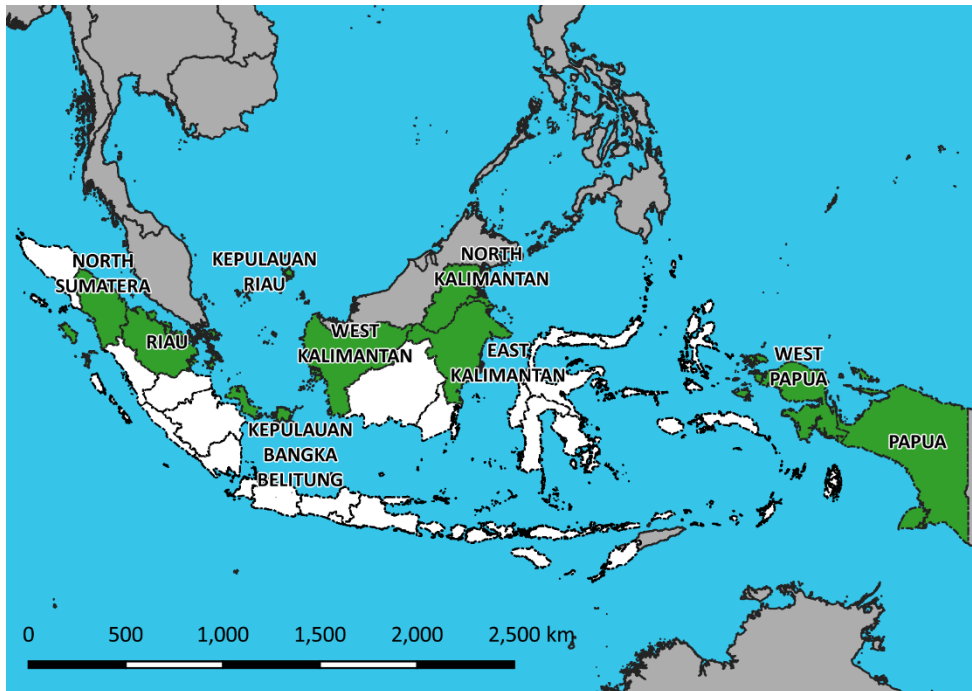
The objective of the Mangroves for Coastal Resilience project is to enhance the management of mangroves and the livelihoods of local communities in selected areas. This objective will be achieved through three components 1) Strengthening Policy and Institutions for Mangrove Management, 2) Rehabilitating and Promoting Sustainable Mangrove Landscape Management and 3) Improving Livelihood Opportunities for Mangrove Communities.

The M4CR will support the long-term, sustainable management of mangrove ecosystems in Indonesia and improve ecosystem services and livelihoods in target coastal communities, and aim to accomplish social, economic, and environmental objectives in targeted areas while promoting livelihood outcomes. It also seeks to enhance native ecosystem functions and bring ecological and economic productivity back without causing any loss or conversion of natural forests or other ecosystems.

M4CR will initially be implemented in four selected provinces with the possibility of extending to nine provinces (figure 1) which covers a significant and representative portion of Indonesia's mangrove ecosystems.



**Figure 1. Nine target provinces of the Mangroves for Coastal Resilience Project**



*Note:* The target provinces are North Sumatra, Riau, Kepulauan Bangka Belitung, Kepulauan Riau, North Kalimantan, East Kalimantan, West Kalimantan, Papua, and West Papua.

Denmark's contribution is within component 1, which focus on strengthen policies and institutions and will be financed by MDTF grant funds. Component 2 and 3 will be financed by loans.

Denmark's funds will support sub-component 1.4: "Facilitating payments for blue carbon" which focus on developing a blue carbon program for the project area. Also the funds will support the functionality of the National Mangrove Working Group (POKJA mangrove) and communication. The objective of Sub-component 1.4 is to support Indonesia's readiness to access blue carbon finance, and consist of a number of activities. The sub-component will support bringing the emissions reductions generated under M4CR's investments to market by developing a blue carbon program that is eligible for payments in national and international markets, designed according to internationally recognized standards, and creating the enabling environment for accessing carbon finance. Success of the subcomponent will be measured by four readiness criteria (as reflected in Chapter 5).

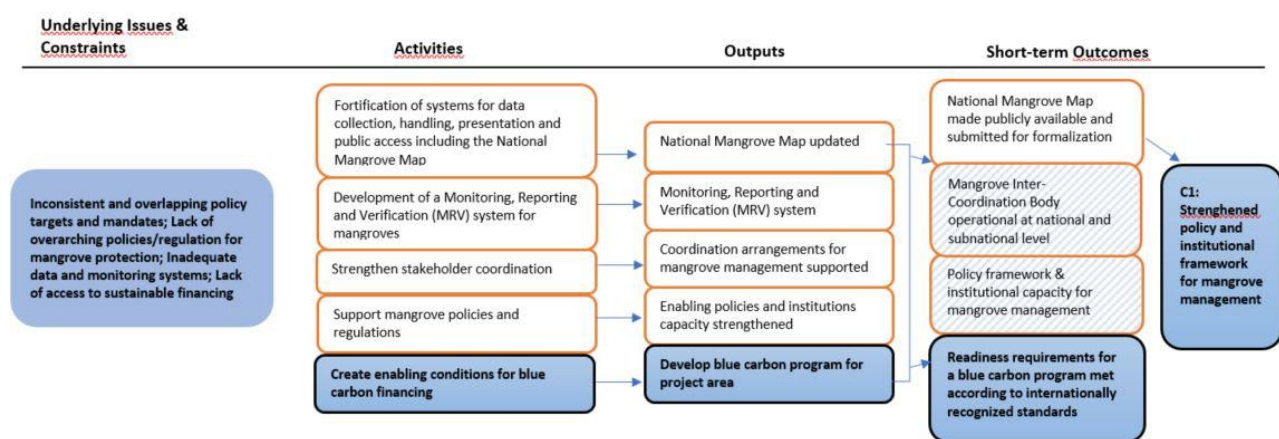
A blue carbon program could contribute significantly to Indonesia's NDCs and other emission reduction goals. Blue carbon payments could mobilize funds for the rehabilitation and conservation of mangroves and to create economic incentives to reduce rates of mangrove deforestation. Ensuring benefits are shared with local communities through blue carbon payments would support the sustainable use of mangrove resources. The longer-term goal beyond the life of

the project is for the GoI to be able to mobilize blue carbon finance at a larger scale and from a variety of sources, which would support the long-term sustainability of the rehabilitation. Carbon emissions reductions from M4CR investments are estimated to be almost 40 million tCO<sub>2</sub>e over 30 years and approximately 3 million tCO<sub>2</sub>e during the five-year project lifetime, both from rehabilitation and avoided deforestation activities.

In addition to the technical subcomponent 1.4 implemented by the Government of Indonesia, Danish funds will also support the WB's supervision and technical assistance for coordination, communication and knowledge/analytical aspects of the project, which are critical aspects to the success of Subcomponent 1.4.

### 4. Theory of change and key assumptions (\*)

The Danish funds will support component 1 in M4RC and is focused on develop a blue carbon program for project area by facilitating payments for blue carbon. It contributes to Theory of Change as illustrated in figure below (for figure on entire M4CR see Annex 3).



In addition to support to blue carbon, Denmark’s contribution will support the overall outcome of component 1 through establishment of coordinating entities (POKJA Mangrove) Mangroves. The establishment of strong mangrove management workgroups (POKJA Mangrove) will lead to a significantly stronger institutional environment with higher leverage and coordination between project bodies and participants. Besides strengthening capacity of the project, the establishment of a strong local-led institution will also lead to a greater sense of ownership, hence Indonesian stakeholder involvement, and thus increase local participation and lower the risk of project failure.

Additionally, Denmark’s contribution will support communication strategies for public outreach for the overall M4CR project. Communication strategies will be cross-sectoral and implemented by several different ministries. The aim is to articulate and target a broader audience, not only for the

Gol to increase support and awareness for the national mangrove project, but also to increase the public support and hence local attitudes reflecting local stakeholder engagement.

In the long-term, the Danish contribution will, alongside achieving blue carbon results, improve the institutional environment and enable crucial conditions for project success and lead to protected, productive and thriving mangrove ecosystems and coastal communities with sustainable and diversified livelihoods.

The success of the Danish supported outputs, is dependent on 4 key assumptions:

*Key assumptions:*

<b>1</b>	<b>Goals interest in blue carbon markets</b>	The continued interest of the Government of Indonesia in participating in blue carbon markets, which is in turn depending on demand for blue carbon credits.
<b>2</b>	<b>Rights and regulations</b>	Work on clarification of carbon rights, carbon regulations, and land tenure aspects is continued, as it will ensure carbon payments to be shared with eligible beneficiaries.
<b>3</b>	<b>Establishment of POJKA Mangrove</b>	Due to the high risk of the political and institutional environment, the establishment of POJKA Mangrove is critical in order to address the underlining issues with uncoordinated and overlapping governance structures in the project context.
<b>4</b>	<b>High-level political support</b>	The M4CR maintain its high-level political support, which will underpin the implementation and development of the project, but may lead to political pressure on PIUs for quick results.

## 5. Summary of the results framework

The Result Framework for Component 1 in M4RC is depicted below. It includes also activities and output financed by SLMPT MDTF. It is followed by result frameworks (Outputs) specifically for the Danish supported activities.

Project Title	Mangrove for Coastal Resilience
Project Objective	To enhance the management of mangroves and the livelihoods of local communities in selected areas
Outcome	Strengthened policy and institutional framework for mangrove management (Component 1)
Outcome indicator	<p><b>Indicator:</b> Policy framework and institutional capacity for mangrove management improved (score)</p> <p><b>Description:</b> This indicator measures improvement in the policy framework, institutional coordination and strengthened institutional capacity to enable sustainable mangrove management. It is based on the sum of scores of the following criteria:</p> <ol style="list-style-type: none"> <li>1) Government regulation on mangrove management drafted (0.5) and submitted for approval (0.5).</li> <li>2) National Mangrove Program drafted (0.5) and submitted for approval (0.5)</li> <li>3) Subnational government regulations on mangrove management drafted (0.5 each) and submitted for approval (0.5 each). Total target of 3 sub-national regulations)</li> </ol> <p>Government Regulation (Peraturan Pemerintah/PP) on mangrove management refers to an overarching policy of Indonesia’s mangrove management and protection. This new regulation will become Indonesia’s first policy framework that governs mangrove ecosystem, transforming a sectoral approach to a transboundary and a landscape approach. It will set out key interventions for mangrove management and protection / conservation, and roles and responsibilities of ministries/agencies at national, subnational government levels and concession holders.</p>

		<p>The National Mangrove Program refers to a set of operational guidelines for the management of mangroves, which could be in the form of a Plan or Roadmap. It will be developed based on best practices and lessons learned from the project, detailing key information for mangrove management such as: (1) designation of mangrove zones, identifying areas that should be protected, restored or sustainably managed; (2) land tenure status, identifying potential risks and mitigation efforts; (3) types of interventions and activities for mangrove management and protection; (4) monitoring &amp; evaluation; and (4) mangrove governance mechanisms.</p> <p>Sub-national regulations refer to technical regulations or policy derivatives from the national regulation on mangroves. These regulations will be initiated, developed and adopted by the subnational government in the form of a Governor's Regulation, Provincial Regulation, Mayor/Regent's Regulation or District Regulation. The existence of these regulations will demonstrate commitment from subnational governments to ensuring the sustainability of the mangrove management agenda in Indonesia. These regulations will allow subnational governments to allocate funds and appoint specific agencies to implement mangrove programs.</p> <p>The potential for blue carbon finance will create an incentive to put mangrove management regulations and a program in place, which are needed to maximize carbon emission reductions as well as ensure their sustainability.</p> <p>The target is annual and cumulative.</p>	
Baseline	Year 0	0	The defined mangrove management regulations and program are not in place.
Target	Year 1	0	The defined mangrove management regulations and program are not in place.
Target	Year 2	1	A score of 1 is achieved on improving the defined mangrove management regulations and program.
Target	Year 3	3	A score of 3 is achieved on improving the defined mangrove management regulations and program.
Target	Year 4	3	A score of 3 is achieved on improving the defined mangrove management regulations and program.
Target	Year 5	5	A score of 5 is achieved. In other words, the following are achieved: 1) Government regulation on mangrove management drafted and submitted for approval. 2) National Mangrove Program drafted and submitted for approval. 3) 3 subnational government regulations on mangrove management drafted and submitted for approval.

Sub-component 1.4 of the project will support Indonesia's readiness to access blue carbon finance by developing a blue carbon program for the M4CR project area according to international standards. There are four readiness criteria's that will be assessed, and each readiness criteria includes supporting activities (see Annex 3 for details).

Output		Facilitating payments for blue carbon (sub-component 1.4)	
Output indicator		<p><b>Indicator:</b> Readiness requirements for a blue carbon program are met according to internationally recognized standards.</p> <p><b>Description:</b> This indicator measures the development of a blue carbon program eligible for payments in national and international markets, designed according to internationally-recognized standards. A blue carbon program that meets readiness requirements would demonstrate the government's capacity to manage and leverage the benefits from the mangrove ecosystem. There are four readiness criteria that will be assessed: (1) existence of a reference emissions level (REL) for the program area, (2) existence of a framework to monitor and report on mangrove cover change, (3) existence of a benefit sharing mechanism for a blue carbon program, (4) preparation of a program design document in accordance with an internationally recognized standard (e.g., Verra). Target is cumulative.</p>	
Baseline	Year 0	0	No readiness requirements for a blue carbon program in the project area have been met.
Target	Year 1	0	No readiness requirements are met.
Target	Year 2	1	1 readiness requirement is met.
Target	Year 3	2	2 readiness requirements are met.
Target	Year 4	4	4 readiness requirements are met.
Target	Year 5	4	4 readiness requirements are met.

The Outputs "Coordination arrangements for mangrove management are supported (POKJA Mangrove)" will support component 1 and "Improved communication and public outreach for the Indonesia mangroves for coastal resilience project" will support the overall M4CR project and relates to all 3 project components. In reference to the ToC, the specific outputs related to POJKA and communication will lead to strengthened policy and coordination among mangrove stakeholders, improved knowledge management, data sharing and are crucial in overcoming the institutional challenges embedded in the project context. The activities in these outputs will besides funds from the OMDTF also be supported by SLMP MDTF. See Annex 3 for supporting activities.

Output		Coordination arrangements for mangrove management are supported (POKJA Mangrove)	
Output indicator		<p><b>Indicator:</b> Multi-sectoral mangrove coordination bodies operational at national and subnational level (Number)</p> <p><b>Description:</b> This indicator measures the operationalization and functioning of coordination bodies (e.g., National Mangrove Working Group and Provincial-level Mangrove Rehabilitation Teams) that will foster inter-sectoral coordination in mangrove management at the central and sub-national levels. A body will be considered operational if it fulfills these four criteria:</p> <ul style="list-style-type: none"> <li>- Has clear ToR / internal document outlining its functions and governance mechanism</li> <li>- Meets at least two times a year, with agenda and dissemination of minutes, meeting the minimum quorum.</li> <li>- Prepares an annual report on the state of mangroves in Indonesia/the province.</li> <li>- Government decree officially establishing the body adopted.</li> </ul>	
Baseline	Year 0	0	0 national or subnational coordination bodies are operational.
Target	Year 1	1	1 national or subnational coordination body is operational.
Target	Year 2	3	3 national and/or subnational coordination bodies are operational.
Target	Year 3	5	5 national and/or subnational coordination bodies are operational.
Target	Year 4	5	5 national and/or subnational coordination bodies are operational.
Target	Year 5	5	5 national and/or subnational coordination bodies are operational.

Output		Improved communication and public outreach for the Indonesia mangroves for coastal resilience project	
Output indicator		<p><b>Indicator:</b> Mangrove for Coastal Resilience Project communication strategies delivered</p> <p><b>Description:</b> This indicator measures the development of communication and public outreach strategies for the Indonesia Mangroves for Coastal Resilience Project, which will be cross-sectoral and implemented by multiple ministries. This activity will help the GoI to better articulate and target a wider audience for the national mangrove management project.</p>	
Baseline	Year 0	0	No communications strategies are being developed
Target	Year 1	1	1 national mangrove communications strategy is delivered
Target	Year 2	1	At least 1 public outreach activity at national level is conducted

## 6. Inputs/budget

The total Danish support constitutes DKK 35 million (approx. US\$ 5 million) to OMDTF where 28 million/USD 4 million will be channelled as recipient executed funds (RETF) and 4.55 million/USD 0.8 million through the Bank-Executed Trust Fund (BETF) and 2.45 million/USD 0.35 million for administration fee. As shown in the table below the majority of the grant will support sub-component 1.4 and the rest (except administration fees) will support to the functionality of the National Mangrove Working Group (POKJA mangrove) and communication.

### BUDGET FOR DANISH CONTRIBUTION TO THE WORLD BANK'S INDONESIA M4CR PROJECT

Description	TOTAL Danish Contribution (DKK)
<b>Output 1: Develop Blue Carbon Program for Project Area</b>	31,150,000.00
- Meeting readiness criterias to facilitate payments for blue carbon	28,000,000.00
- Technical assistance for readiness to access blue carbon finance	3,150,000.00
<b>SUB-TOTAL of OUTPUT 1</b>	<b>31,150,000.00</b>

Description	TOTAL Danish Contribution
<b>Output 2. Strengthen the functionality of the mangrove thematic working group (POKJA Mangrove)</b>	700,000.00
<b>SUB-TOTAL of OUTPUT 2</b>	<b>700,000.00</b>

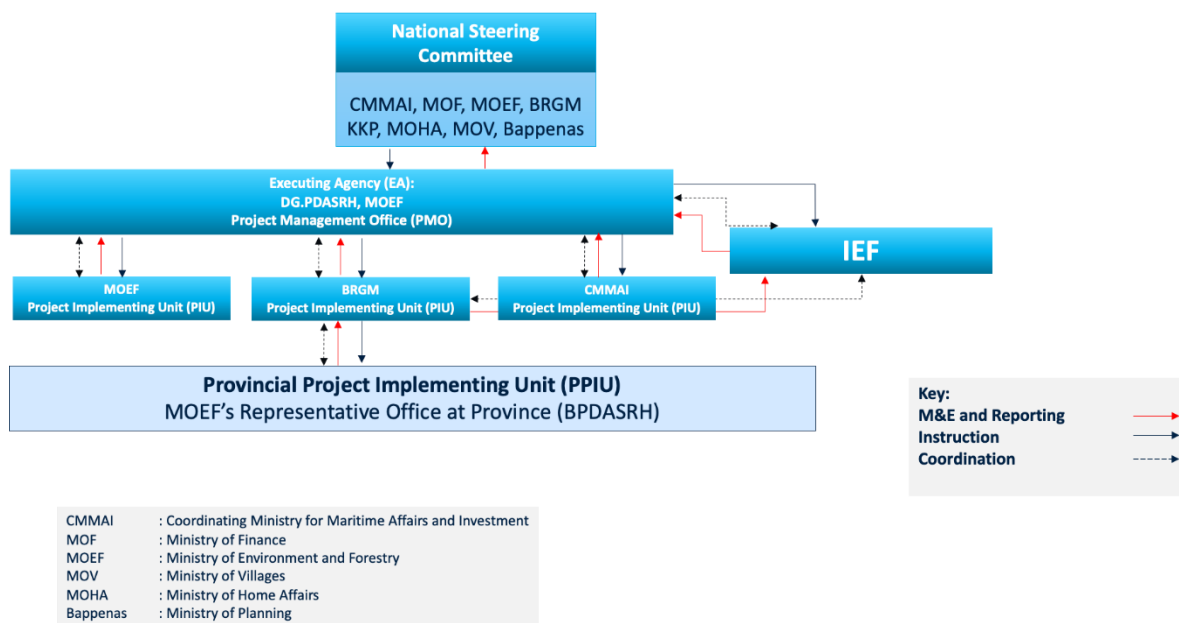
Description	TOTAL Danish Contribution
<b>Output 3. Improved communication and public outreach for the Indonesia mangroves for coastal resilience project</b>	700,000.00
<b>SUB-TOTAL of OUTPUT 3</b>	<b>700,000.00</b>

Description	TOTAL Danish Contribution
Trust fund fee	1,400,000.00
Trust Fund Administration and Management activity	1,050,000.00
<b>SUB-TOTAL of NON-OUTPUT</b>	<b>2,450,000.00</b>

<b>GRAND TOTAL</b>	<b>35,000,000.00</b>
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## 7. Institutional and Management arrangement

The main implementing agency for subcomponent 1.4 will be CMMAI. As the project covers multiple provinces, at the subnational level, Provincial Project Implementation Units (PPIUs) will be established in each of the nine provinces under the oversight of the relevant ministries. The PPIUs will be staffed with technical and administrative personnel to support project management and implementation. See figure 2 below:



### *Indonesia Oceans, Marine Debris and Coastal Resources Multi-Donor Trust Fund (OMDTF)*

The current institutional and management arrangements for the Danish support are those of the OMDTF managed by the WB and led by the WB's Country Management Unit (CMU) in the Jakarta Office. The governance structure of the OMDTF consists of the World Bank and the Steering Committee (SC) as depicted below. Their respective roles and responsibilities are also outlined below.

Co-chairs : The World Bank (WB) and Coordinating Ministry of Maritime Affairs and Investment (CMMAI)

Donor : Denmark and Norwegian Embassies

Key Ministries : CMMAI, MoEF, MMAF, BAPPENAS, and MPWH

Denmark and Norway has been channelling support through OMDTF since 2017 and was expected to close by the end of 2022. The Norwegian engagement in OMDTF will be phased out by end of 2022, but the fund has been extended until 2027 to cover the Danish contribution to the M4CR-



project. As a donor to the Trust Fund, Denmark is part of the Steering Committee. Other representatives include senior-level representatives of the WB and the GoI. Representatives of the Government of Indonesia are drawn from key agencies involved in the sustainable management of Indonesia's oceans, marine debris, and coastal resources. Other relevant agencies, and representatives of civil society, may be invited to attend SC meetings as observers, as and when relevant to the SC meeting agenda, as decided by the Co-Chairs.

As outlined in the Administration Agreement (AA), the SC is responsible for:

- Guiding overall strategic and policy priorities for the OMDTF program
- Fostering coordination amongst major stakeholders
- Endorsing the annual work program
- Reviewing progress of the annual work program and providing strategy and recommendations based on this review
- Providing guidance on any strategic problems and concerns that may arise

The SC is responsible for meeting at least once per year. Scheduling of meetings is done in consultation with the SC members. Any SC member may request the Co-Chairs to schedule an extraordinary SC meeting if they feel there are important matters to be considered between regular annual meetings.

In addition to the Steering Committee, there is a Technical Committee (TC) with members drawn from the technical staff of the same ministries or agencies and embassy. The TC meets at least once per year to review progress, to discuss annual work plan, and to make recommendations to the SC members on decisions. The TC makes recommendations but does not have decision-making responsibility.

As manager of the OMDTF, the WB is responsible for, inter alia, fiduciary and administrative aspects of fund management, preparing the annual work plan for SC review and endorsement, monitoring and reporting on activities and operations, and providing administrative and logistical support to the SC.

#### *Denmark's role in the Steering Committee*

In the SC, Denmark will pay attention to the involvement of the target communities in planning and implementation, and how they benefit from the project. At the SC, Denmark will be represented at an appropriate level by the Danish Embassy in Jakarta, and emphasis will be put on keenly following and proactively shaping the project in accordance with Danish priorities set in this document.

One key indicator is the Danish Government's Development Policy Strategy from 2021, "The World We Share". This entails being in the front line in the fight for climate, nature, and environment in



order to ensure a world in balance. The strategy mentions that restoration of mangrove forests contributes to capturing and storing large quantities of CO<sub>2</sub>, and thus provides important habitats for animals, and protects coastal areas against floods, and a strong foundation for the work in SC.

A second key indicator is the Danish Government's Action Plan Against Deforestation from 2021. It entails that Denmark will proactively promote the green agenda including aspects related to climate, nature and biodiversity by engaging in constructive dialogue with key consumer and producer countries and via development efforts against deforestation. It is a considerable challenge that will require contributions from all Danish stakeholders, both in the public and private sectors. The steering committee will likewise provide an opportunity to link up with Danish skills and knowhow from the private sector (see section 2.4).

Following these priorities and, specifically tracking the progress on these parameters through this project will be a Danish priority in the SC.

### *Monitoring and evaluation*

The project will build on existing monitoring and evaluation (M&E) systems used by the implementing agencies (IAs). Monitoring and evaluation functions will be housed within the PMO and at each of the IAs, using existing capacity. Staff of the Implementing Agencies based across the key project locations will provide direct reports. An M&E manual will outline protocols, responsibilities, and custom report templates, and will be incorporated into the Project Operations Manual. The Results Framework includes custom indicators as well as corporate requirement indicators on climate, gender, and citizen engagement.

The WB will maintain a sizable core team based in Jakarta and Washington, DC, consisting of specialists in environment management, financial management, procurement, social and environmental safeguards, and monitoring and evaluation. The team based in Jakarta will maintain frequent and intensive coordination and collaboration with the GoI, particularly with the CMMAI, BRGM, MOF, IEF and the PMO members.

The WB together with GoI will conduct full Implementation Support Missions (ISM) at least twice per year, and more often in the first two years of project implementation, including field visits to the targeted sites, complemented by several thematic supervision and technical missions. The missions will aim to review project progress, performance, and management issues, as well as provide feedback to improve the overall performance of the project.

It will remain critical and relevant throughout the project period to ensure timely and effective project implementation. The broad areas of support include supervision particularly related to the

achievement of project development objectives, assistance to procurement and project financial management, safeguards management, and other substantive related hands-on support.

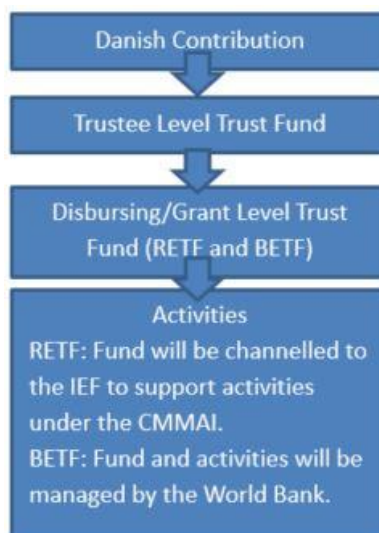
The monitoring and supervision will in addition to WB funds be carried out by funds from OMDTF. The close supervision and technical assistance that the World Bank team will provide through these funds will help to mitigate project implementation risks of sub-component 1.4.

Denmark will furthermore have the right to carry out any technical or financial mission that is considered necessary to monitor the implementation of the programme. To facilitate the work of the person or persons instructed to carry out such monitoring missions, the WB shall provide these persons with all relevant assistance, information, and documentation. After the termination of the program support, the Danish MFA reserves the right to carry out evaluation.

## 8. Financial Management, planning and reporting (\*)

The budget flow of OMDTF is started from the WB received funds from Denmark and recorded in the WB's Country Management Unit (CMU) in Jakarta. Based on the agreed proposal with Denmark, the WB will top-up fund to existing trust fund. Funds from CMU will flow to disbursing/grant level trust fund and then to finance activities. It will be supported by a mangrove financing window within the IEF, a Public Service Agency under Ministry of Finance which is expected to continue operating beyond the lifetime of the Project.

### The Budget Flow Chart



Disbursement arrangement is described in the Administrative Agreement.

(i) Partner procedures pertaining to financial management:

World Bank has carried out Financial Management Assessment (FMA) to assess the adequacy of the financial management system of the implementing agencies (Indonesian Ministries) to produce timely, relevant, and reliable financial information on project activities. The FMA also assessed the adequacy of the accounting systems for project expenditures and underlying internal controls to meet fiduciary objectives and allow the World Bank to monitor compliance with agreed implementation procedures and progress toward its objectives. The financial management risk is assessed as substantial.

(ii) Procurement:

All procurement under the project shall be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers, November 2020, and the provisions stipulated in the Grant Agreement with Government of Indonesia.

(iii) Work planning:

The World Bank shall provide the Danish Embassy an annual work plan for the OMDTF, submitted by April each year, covering the period of July – June the following year (World Bank fiscal year). The work plan shall be endorsed by the Steering Committee (SC) through the annual meeting.

(iv) Narrative progress reports and financial reports:

The WB core team for the OMDTF is responsible for producing annual progress reports to be submitted by April of each year, covering the previous calendar year. The annual progress report will also include the Danish contribution portion to the Trust Fund. The progress report shall also be provided with reference to the results framework agreed by the Bank and the Danish Embassy, as such Results Framework may be reviewed by the Parties from time to time. Within six (6) months of the End Disbursement Date of the Danish funds, the Bank shall provide to the Danish Embassy with a final narrative progress report for the Trust Fund.

The Bank shall furnish to the Danish Embassy current financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Danish Contribution via the Development Partner Center website.

MFA shall have the right to carry out any technical or financial mission that is considered necessary to monitor the implementation of the programme. To facilitate the work of the person or persons instructed to carry out such monitoring missions, the Bank shall provide these persons with all relevant assistance, information, and documentation.

See also the Administration Agreement of OMDTF.

(v) Accounting and auditing:

The activities of the Danish funding shall be subject to reporting as well as accounting, financial control and auditing in accordance with Danida's Grants Management Guidelines.

See also the Administration Agreement of OMDTF.

## **9. Risk Management (\*)**

Uncoordinated and overlapping government mandates pose a high risk for sub-component 1.4 "Facilitating payments for blue carbon" of the M4CR. This especially relates to the uncertainties regarding the mandates and responsibilities of CMMAI and MoEF where CMMAI is responsible for implementing sub-component 1.4 and MoEF is responsible for other parts implementing component 1, which are closely related. Also, very late in the project development process the implementing agent of sub-component 1.4 was changed from MoEF to CMMAI. CMMAI is usually only acting as coordinating ministry, so acting as implementation part could challenge the capacity of the ministry. The GoI is aware of the need to address these barriers and is committed to doing so. The World Bank will also provide technical assistance through the Danish funds to strengthen coordination mechanisms and support coordination between government agencies.

The success of blue carbon activities (as well as of mangrove management more broadly) will overall depend on engagement with and involvement of many stakeholders, including ministries/national government agencies, sub-national government, local communities, and the private sector. This will require strong coordination, which has been a constraint to mangrove management in the past. While WB has experience with carbon finance projects, CMMAI, MoEF, BRGM and provincial governments have limited experience with such projects. As such, World Bank technical assistance and close implementation support will be critical to the Danish contribution and project's success.

The main constraints related to the Danish contribution is listed in the table below and are divided into the categories: contextual, programmatic and institutional risks. For a comprehensive list of risk to the M4CR, see annex 4. The risks are interlinked with the critical assumptions described in the ToC section. Denmark will through its role in the steering committee actively monitor and seek to mitigate risk.

<b>Main Risks to Danish Contribution</b>		
<b>1. Contextual Risks</b>	<b>2. Programmatic Risks</b>	<b>3. Institutional Risks</b>
<p>1.1 Political and Governance. Uncoordinated or overlapping policies and investments with impacts on mangroves may hinder achievement of project targets.</p> <p>1.2 Support level. The need for Gols continued interest in blue carbon markets vs. political pressure on Project Implementation Units (PIUs) leading to “shortcuts”.</p> <p>1.3 Stakeholders. There is a risk of insufficient stakeholder buy-in and land and access conflict.</p>	<p>2.1. Technical Design of M4CR. Complex land-tenure and land-use issues where mangrove ecosystems have been converted for alternate use, complicate reductions, and benefit-sharing arrangements.</p>	<p>3.1 Institutional Capacity. The implementing agencies of the project, the MoEF and BRGM, have limited experience with Bank-financed projects.</p> <p>3.2 Capacity and lack of experience of CMMAI in implementing mangrove restoration and management programs as well as uncertainty of overlapping mandates and responsibilities between MoEF and CMMAI.</p>
<b>Risk response</b>		
<p>1.1 Will be mitigated through WB-support and technical assistance including, but not limited to, coordination, communication and analysis supported by Danish funds.</p> <p>1.2 The World Bank task team will closely follow activity implementation on the ground and seek Bank Management engagement in the event discussions with high-level Gol officials are needed.</p> <p>1.3 As mitigation, Gol will prepare a robust Stakeholder Engagement Plan outlining general principles and a collaborative stakeholder engagement plan.</p>	<p>2.1 These risks will be mitigated by in-depth assessment of Rehabilitation areas and consultations with local communities prior to on-the-ground activities, ensuring adequate community support and proper rehabilitation techniques adopted alongside adoption of best practice Mangrove Rehabilitation Guidelines as part of the Project Operations Manual, and sustained engagement of local actors, frequent engagement with local governments, and partnerships with local nongovernmental organizations (NGOs) for implementation.</p>	<p>3.1 Mitigation measures including ongoing Technical Assistance program, supporting the Gol in hiring staff familiar with Bank-financed projects, providing frequent trainings for the implementing units, and frequent implementation support missions to ensure close monitoring of project preparation and implementation.</p> <p>3.2 Mitigation includes to seek Bank Management engagement in the event discussions with high-level Gol officials are needed. Also risks will be mitigated by WB-support similar to 3.1 risk response, where extra technical assistance is executed by the WB as well as support to recruitment of adequate staff familiar with mangrove restoration programs.</p>

## 10. Closure

A well-developed exit strategy is essential for sustainability. After two years of project implementation, a sustainable exit strategy will be developed in close cooperation with the World Bank. The exit strategy should outline how structures, policies and relevant partner activities on the 'blue economy' and activities financed by Denmark will be able to continue after the end of the Danish support. Specifically, through its role in the Steering Committee, Denmark should work to ensure that this exit strategy is being prepared and implemented in a timely manner.

The M4CR Project is expected to conclude in December 2027.

Within six (6) months and, no later than 30<sup>th</sup> of June 2028, after the end date of the utilization of the Danish funds, the annual single audit report relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Danish Contribution shall be made available to the Danish Embassy via the Development Partner Center website.

The bank also shall provide a final report to the Danish Embassy. The final report together with the single audit report will be used as a base for the Danish Ministry of Foreign Affairs Final Results Report (FRR).

Any unspent balance or any savings of project funds shall be returned to the Danish Ministry of Foreign Affairs together with any interest accrued from deposit of Danish funds. In case of jointly financed projects and baskets arrangement where a single account is used by multiple development partners interests accrued need not be returned.

Unspent funds for Danish Ministry of Foreign Affairs should be returned to:

Account holder: Udenrigsministeriet

Bank: Danske Bank

Sorting code: 0216

Account number: 4069172962

Swift: DABADKKK

IBAN: DK62 0216 4069 1729 62

Comment: F2 XXXX-XXXXXX

## **11. Annexes**

Annex 1: Context Analysis

Annex 2: Partner Assessment

Annex 3: Theory of Change, Scenario and Result Framework

Annex 4: Risk Management

Annex 5: Budget Details

Annex 6: List of Supplementary Materials

Annex 7: Plan for Communication of Results

Annex 8: Process Action Plan for Implementation

Annex 9: Signed table of appraisal recommendations and follow-up actions taken

## ANNEX 1: CONTEXT ANALYSIS

### 1. Overall Development Challenges, Opportunities and Risks

After two decades of political and institutional reforms, Indonesia is a stable democracy that has significantly reduced poverty. It is the world's fourth most populous nation, with 270 million people (2019) living on more than 6,000 inhabited islands. It is the 10th largest economy, with a total Gross Domestic Product (GDP) of over US\$1 trillion (2018), and the only Southeast Asian member of the G-20. Between 2015 and 2019, Indonesia maintained an average real GDP growth rate of 5 percent. However, this has been revised downward sharply to between 2.1 and -3.5 percent for 2020 following the onset of the global COVID-19 pandemic. In 2021, the recovery gap remained high at -7.9% during the first quarter, but it is projected that economy growth will rebound to 4.4%. Indonesia has dramatically reduced its poverty rate from 24 percent in 1998 to below 10 percent in 2019. The income of the bottom 40 percent has expanded, although the pace has slowed recently. GDP per capita has steadily risen from US\$857 in 2000 to US\$3,847 in 2017. There is a growing middle class of around 115 million people who have escaped poverty but who are yet to achieve full economic security.

The Sustainable Development Report 2021 notes that Indonesia performs above average and shows progress on several SDGs, including on poverty (1), education (4) water (8), whereas the progress on the SDGs that are particularly relevant to the M4CR project seem to be stagnating on e.g., the SDGs on climate change (13) life below water (14) and life on land (15). The M4CR project will contribute to increased progress of these SDGs.

Indonesia launched a Roadmap of SDGs in October 2019, which provides the basis for Indonesia's long-term strategic SDGs policy in accordance with national development targets. Supporting this document are the SDG National Action Plan (RAN) and the SDG Regional Action Plans (RADs). Indonesia's Voluntary National Review 2021 on the status and development of SDG achievement notes that the COVID-19 pandemic has called attention to the needs of greater international cooperation. To ensure a sustainable and resilient recovery, Indonesia is undertaking systematic reforms in four sectors, namely social protection system, national health system, disaster resilience system, and recovery of industry, tourism, and investment towards the green economy, supported by low-carbon development. According to the review, the challenge lies in concentrating all efforts towards achieving SDGs in an inclusive manner from national to decentralized sub-national levels, and to secure financing for SDG implementation. Prior to the pandemic the estimated gap in high scenario financing needs was calculated at IDR 14.108 trillion. The pandemic has even widened the SDG financing gap.

Coastal communities that are in focus of the M4CR project, belong to the most vulnerable in Indonesia and face poverty rates that are higher than the national average, as well as multiple threats to their livelihoods. The poverty rate in coastal villages is 1.27 percent higher than in non-coastal villages, with average fisher income below the minimum wage. Coastal communities have limited access to services such as secondary school, safe water, electricity, and transportation. The 2.5 million households involved in small-scale fisheries are characterized by high poverty rates (one-fifth of Indonesia's poor come from fishing households) and vulnerability due in part to declining ecosystem health and climatic change. Poverty rates are likely to increase due to the economic downturn during the extended COVID-19 crisis. Targeted policies and investments are needed to reach coastal communities with high dependence on natural resources and vulnerability to economic shocks, including from climate change.



The coastal communities in Indonesia are increasingly vulnerable to climate change and natural disasters. Sea level is projected to rise by up to 29 centimeters by 2030 and threatens 42 million Indonesians who live less than 10 meters above sea level. Sea level rise combined with other climate change effects on oceans are expected to result in salinization, flooding, and erosion, jeopardizing coastal livelihoods through an impact on health, freshwater supply, agriculture, fisheries, and other services. Climate change is also expected to increase the frequency of extreme weather events, reduce fish stock productivity, and cause corals to bleach. Degradation of coastal ecosystems such as mangroves further exacerbates erosion and removes layers of protection to coastal communities from storm surges and tsunamis. Given the high dependency on protein from seafood and high pressure on coastal natural resources, Indonesia's coastal communities are some of the most at risk globally. This poses significant risks for the poor and vulnerable and undermine the prospects of economic resilience by eroding savings and assets, and by forcing households to defer crucial investments in their children.

**List the key documentation and sources used for the analysis:**

- World Bank National Accounts data. Agriculture, forestry, and fishing, value added (percent of GDP).
- Indonesia's Voluntary National Review (VNR) 2021
- The WB Country Partnership Framework (CPF) for the Republic of Indonesia for the Period Fy21-Fy 25
- Draft WB Project Appraisal Document (PAD) for the Indonesia Mangroves for Coastal Resilience Project
- Sustainable Development Report 2021 - The Decade of Action for the Sustainable Development Goals. Cambridge University Press 2021

**Are additional studies/analytic work needed? How and when will it be done?**

n/a

## 2. Political Economy and Stakeholder Analysis

A large part of Indonesia's economy continues to be driven by unsustainable exploitation of natural resources, which undermines the country's stock of natural capital. Renewable natural resources such as agriculture, forestry, and fishing accounted for 12.7 percent of GDP in 2019. Although Indonesia's economy has diversified beyond agriculture over the past decade, growth remains closely tied to the prices of Indonesia's key export commodities, including palm oil, pulp and paper, timber, and rubber. In the next 25 years, Indonesia is predicted to experience lower land productivity, increased scarcity of renewable natural resource goods and services, and worsened impacts of climate change.

Indonesia's mangrove forest landscapes are the largest and most productive in the world and have high biodiversity importance. The mangroves contribute to human well-being in Indonesia with quantifiable economic value. In addition to carbon sequestration and biodiversity conservation, they play an important role in reducing flood risk and erosion thereby avoiding damages for coastal communities and assets. They are nature-based solutions for climate resilience, a benefit expected to become more pronounced in the face on increased weather variability and sea level rise. Mangroves also play a key role as a fish refugia, nursing grounds and source of nutrients for species that are commercially harvested. The United Nations Food and Agriculture Organization (FAO) estimated that 55 percent of the total fish catch biomass in Indonesia consists of mangrove-dependent species with a total annual production value of US\$ 825 mil.

Mangroves play a crucial role in the lives and livelihoods of Indonesia's coastal communities. Several coastal communities depend on mangrove goods and services for their livelihoods, with a high proportion of these values benefiting the poorest and most vulnerable members of society. Surveys of villagers commissioned by the World Bank in 2020 confirmed that mangrove forests are regarded as important income and food sources, recognized for their fish habitat values and non-timber forest products. Household dependence on mangrove forest products was found to be higher among poorer, less educated, older, and landless households.

Despite their significant value, mangroves are threatened by deforestation, degradation and unsustainable use. In the last 20 years, Indonesia's total mangrove stock has been undergoing deforestation and degradation at the rate of approximately 13,000 hectares per year. Conversion to aquaculture ponds for seafood accounts for almost 50 percent of the loss, followed more recently by the development of oil palm plantations, which account for 16 percent of mangrove loss in Indonesia. Other factors include unmanaged timber harvest, development of industry, settlement, roads, ports, and other infrastructure. Climate change compounds these challenges, undermining the natural resilience of mangrove ecosystems. An increase in extreme weather events reduces areas where mangroves can thrive by increasing the energy of waves and currents and increasing erosion.

Fragmented and centralized mangrove governance is a critical barrier to sustainable mangrove management. Coordination is hampered by limited cross-sectoral coordination at national and limited participation of subnational government, communities and private sectors in mangrove management. One World Bank study found that over 20 institutions have some responsibility for mangrove management, making coordination extremely difficult. Data and monitoring of mangrove extent and condition are limited and fragmented. Market mechanisms to incentivize private actors, including local communities, to provide ecosystems services, such as carbon storage, remain limited.

The GoI is committed to addressing these challenges and is planning to adopt an overarching policy on sustainable management and conservation of mangrove ecosystem and to strengthen multisectoral coordination platforms at national and subnational levels, including participation of stakeholders from non-government organizations and the private sectors.

In 2020, the Coordinating Ministry of Maritime Affairs developed a strategy to accelerate action on mangrove rehabilitation, setting a target of 600,000 hectares of mangrove Rehabilitation between 2021 and 2024. This will significantly contribute to Indonesia's nationally determined contribution (NDC), particularly to its Forest and Other Land Use (FOLU) net sink 2030 commitment. In 2021, the GoI launched the updated National Mangrove Map, signaling its intent to improve the quality of mangrove forest monitoring and the ability to measure progress in mangrove management efforts.

The M4CR project contributes to key government priorities and its climate change agenda. The project will also contribute to Indonesia's COVID-19 green recovery by promoting cash-for-work for labor-intensive coastal activities (mangrove rehabilitation and management, monitoring, and conservation) and the promotion of business opportunities for medium-term recovery.

Denmark's contribution to M4CR will specifically support Indonesia's readiness to access blue carbon finance. This includes by marketing of the emissions reductions generated by project activities, by designing a blue carbon program to internationally recognized standards, by examining market options and by identifying potential buyers/financiers.

#### *Stakeholders*

The National Mangrove Program is an Indonesian presidential priority and is conducted by several ministries, led by the Ministry of Environment and Forestry. The Indonesian office of World Bank was requested by GoI to support in its efforts to implement the National Mangrove Program and has had high level meetings about the project with the Indonesian president and several ministers.

The Coordinating Ministry of Maritime Affairs and Investment (CMMAI) is one of the key government stakeholders in the M4CR project with their role as the Chair of the Steering Committee, and a Chair of the Mangrove Coordinating Group (Pokja Mangroves). The project supports a functioning

multistakeholder coordination platform at national level through the Pokja Mangroves and at subnational level. Members of the Pokja mangroves are line ministries relevant to mangrove rehabilitation. They include Ministry of Environment and Forestry (MOEF), Ministry of Marine Affairs and Fisheries (MMAF), Peatland and Mangroves Restoration Agency (BRGM), Ministry of Villages, Ministry of Land Administration, as well as private sector representatives and academics. Pokja mangrove was established in 2020. The specific role of this Pokja under the leadership of CMMAI includes: 1) assess and prepare regulations relevant to mangrove management, 2) prepare a roadmap for national mangrove management, 3) conduct socialization and implement the roadmap for national mangrove management in a coordinated way among the Ministries/Agencies, private sector and CSOs/NGO as well as communities; and 4) Assess the institutions of national mangrove management. **In the near future, Pokja will also lead regular donor coordination meetings. These donor coordination meetings will enable partners to share lessons learned and best practices.**

At the subnational government level M4CR will support strengthening coordination with provincial and district offices/agencies that are involved in the work of mangroves rehabilitation (forestry, environment, fisheries), and non-government representatives (private sector, NGOs, academics).

The project is expected to engage a wide range of stakeholders at both the national and subnational levels, covering key government agencies, village governments, intermediary organizations, local communities, and mangrove-based businesses (both the owners and workers) in target locations. There are also interested groups, such as development partners, nongovernmental organizations (NGOs), universities, and media, who will be engaged in various ways depending on their anticipated interests and expected roles in the project.

Engagement with local communities has been conducted through a household survey by the project preparation team during July–August 2021. Findings of such a survey provide a broad understanding of socioeconomic and gender relations within the coastal communities in 20 villages in Indonesia and informed the project design. To establish a set of parameters for meaningful consultations and dialogue, a stakeholder engagement plan is developed based on the ongoing assessment and consultations, with support from a consulting firm supporting the government counterparts during project preparation.

Participation of coastal communities has thus been integrated in the design of the project, given that the sustainability of investments in conservation and rehabilitation will depend substantially on their meaningful participation and support. They are actively involved through stakeholder consultations in planning and implementation of project activities, multi-stakeholder fora in each province that will facilitate the preparation and adoption of mangrove landscape management plans in each of the target landscapes, participation in key investment activities, and capacity building.

During project implementation, a social mapping exercise (village-level assessment) will be conducted as part of a multitier site selection process, which will include information on site-specific stakeholder analysis and political economy analysis of land use and landownership. This information will be used to grant final clearance/validation to proposed activities. Hence, such analysis and decision-making processes will be an integral part of social and environmental risk management. During project preparation and early implementation, an accessible Grievance Redress Mechanism will be established and included in the project's ESMF and Stakeholder Engagement Plan.

**List the key documentation and sources used for the analysis:**

- Ministry of Environment and Forestry, National Mangrove Map, 2021.
- Murdiyarto, D., Purbopuspito, J., Kauffman, J. B., Warren, M., Sasmito, S., Donato, D., . . . Kurnianto, S. (2015). The potential of Indonesian mangrove forests for global climate change mitigation. *Nature Climate Change*. Vol.5,

- World Bank (2021). The Economics of Large-scale Mangrove Conservation and Restoration in Indonesia.
- WB draft Project Appraisal Document (PAD) for the Indonesia Mangroves for Coastal Resilience Project

**Are additional studies/analytic work needed? How and when will it be done?**

n/a

### 3. Fragility, Conflict and Resilience

Poverty is most severe among households living within or at the edge of forest estates and in coastal communities, particularly in Eastern Indonesia. Forests and peatlands have a significant role in controlling climate, reducing flood risk, and harboring biodiversity. These ecosystems face deforestation and degradation, which leads to GHG emissions, fires, loss of biodiversity, land subsidence, and flooding. The marine biodiversity is also under pressure from overfishing, unsustainable coastal development, marine plastics, and other types of pollution, which degrade mangroves and coral reefs.

Improving natural resource management in highly degraded mangroves where communities are dependent on the unsustainable extraction of natural resources may potentially trigger and/or exacerbate the existing tenurial and resource conflicts in the targeted areas. Experience from past and ongoing efforts on mangrove conservation in Indonesia indicate that unclear landownership and tenurial rights within the mangrove areas pose significant challenges in addressing systematic issues of poor natural resource management in these areas. There are cases in which communities have refused to release control and use of the land (either partially, in full, or both) for mangrove rehabilitation and/or conservation due to perceived livelihood impacts (that is, fishponds and/or other uses).

The M4CR project will be implemented in areas where Indigenous Peoples and/or Adat communities are present. These include, for instance, the Asmat Tribe in Papua, the Bajau Tribe and Dayak Basap in East Kalimantan, the Bulungan and Tidung Tribe, and the Dayak Agabaq and Dayak Berusu Tribe in North Kalimantan. These communities may have local wisdoms and practices about land resource use and claims on mangrove areas. Since many of these communities may reside in the forest estates and/or areas with tenurial conflicts, their tenure may not be recognized and protected. Hence, improvements in land and natural resource management practices may potentially have adverse implications regarding their access to livelihoods and tenure. The M4CR project will address these issues through the Stakeholder Engagement Plan and Indigenous Peoples Planning Framework.

The Indonesia Disaster Resilience Initiatives Project (IDRIP), implemented by the National Disaster Management Authority, aims to improve the preparedness of the central government and selected local governments for natural hazards. The project has three components. 1) Disaster preparedness and emergency management capacity; 2) Geophysical early warning services 3) Project Implementation Support, aims to strengthen the capacity of implementing agencies

The M4CR project aims to strengthen the absorptive, adaptive, and transformative capacities of the government, institutions, communities, and individuals. Reducing the risk of exposure of communities to negative impacts through ecosystem protection and enhancing their preparedness would increase their resilience. Building the skills and knowledge of actors would increase their capacity to anticipate, learn, respond to, and recover from shocks and stresses. The creation of new and improved livelihood opportunities and providing individuals with assets and resources can help moderate future risks and allow them to take advantage of new opportunities and adjust to new situations. The integration of sustainable resource management into village-level planning and increasing the role of women in

mangrove management and village leadership to prepare for the future can develop transformative capacity over time. The development of multi-stakeholder forums in three subnational mangrove landscapes to facilitate mangrove management builds both resilience and adaptive capacity by operationalizing institutions and networks that learn and store knowledge and experience, create flexibility in problem solving, and balance power among interest groups

List the key documentation and sources used for the analysis:

- WB Project Appraisal Document (PAD) for the Indonesia Mangroves for Coastal Resilience Project
- The WB Country Partnership Framework (CPF) for the Republic of Indonesia for the Period Fy21-Fy 25

Are additional studies/analytic work needed? How and when will it be done?

n/a

#### 4. Human Rights, Gender, Youth and applying a Human Rights Based Approach

The M4CR project intends to address several human rights priorities, such as gender equality and indigenous people's rights. It will also apply key HRBA principles on participation, accountability, non-discrimination and transparency. It includes mechanisms to ensure the rights holders (i.e. the coastal communities) ability to formulate claims and hold duty-bearers (mainly national, provincial and local government) responsible for respecting the human rights of the poor, including their entitlements to claim their rights.

##### *Transparency and participation*

Based on similar interventions in Indonesia, good practices in community engagement and participation will be adopted as an approach under the project.

The intended project outcomes are highly dependent on the quality of implementation of specific activities. Weak capacity to adhere to good practices in natural resource management, lack of inclusive consultative processes, participation and community ownership, and transparency in decision-making processes may heighten the risks, especially in certain contexts where there are existing conflicts and high trade-offs due to dependence on mangrove resources. Environmental risks and impacts are expected to be spatially localized, temporary, site-specific, predictable, and mitigated through standard mitigation procedures and application of good engineering practices.

There is a risk of insufficient stakeholder buy-in and land and access conflict, particularly among coastal communities in degraded and converted areas where a myriad of social barriers to mangrove rehabilitation and conservation exist and in areas where degraded mangroves are now occupied with productive activities. As mitigation, the project will prepare a Stakeholder Engagement Plan (SEP) outlining general principles and a collaborative stakeholder engagement plan. Livelihood activities, including cash-for-work for labor-intensive activities, will prioritize communities that face some restriction from rehabilitation and conservation activities. Stakeholders may oppose the GoI borrowing for what they perceive to be global public goods (climate mitigation and biodiversity conservation). The GoI and Task Team are continuously engaging with NGOs to clarify the goals of the project and address concerns. NGOs are expected to be involved in project implementation to increase delivery capacity and increase their stake in the project.

Sustainability of the priority investments in conservation and rehabilitation will depend on the meaningful participation and support of key stakeholders, especially the HRBA 'right bearers' in the local communities. Inclusion and participation of coastal communities is therefore integrated in the design of the investments. The project has set targets for the inclusion of vulnerable groups, particularly women, and has specific activities to facilitate their access to benefits. Communities will be engaged through

stakeholder consultations in planning and implementation of project activities. The beneficiary feedback loop will be maintained through a project Grievance Redress Mechanism. The Results Framework of the M4CR project includes a Citizen Engagement indicator, “Share of beneficiaries satisfied with the project’s engagement and planning processes”. This will be measured through a beneficiary satisfaction survey to be conducted at midterm and at project completion.

#### *Gender and youth*

Women still face challenges on both the education and health fronts. Low educational attainment and gender streaming contributes to low labor force participation among women and a higher risk of skill deficits. Furthermore, laws and policies supporting women’s participation in the labor force are weak and poorly enforced. Indonesia also records poor health outcomes among women. High maternal mortality rates go hand in hand with the low use and quality of essential maternal and child health services in the country.

The World Bank has conducted initial gender gap and social inclusion analysis, which is informing the design of project activities to narrow the gaps and the selection of indicators to monitor it. Early gender gaps identified in mangrove communities in Indonesia include a lack of access by women to entrepreneurial livelihood activities, wage gaps and limited participation in cash-for-work programs such as those employed for mangrove rehabilitation, and a lack of female representation in mangrove management institutions. The M4CR project incorporates gender assessment, sensitization and action planning, and will support activities to improve women’s access to opportunities and their ability to start up and/or expand enterprises or alternative livelihood options, such as through trainings and access to finance targeted at women. The project will adopt measures to ensure the inclusion of women and their equitable treatment in mangrove rehabilitation initiatives. Finally, the project will aim to improve women’s representation in mangrove resource management bodies such as through increasing female recruitment, revising human resources policies to be more gender sensitive, and providing training for female personnel. Some of these interventions include setting a quota for the number of female participants in cash-for-work programs and establishing core labor standards, such as the adoption of antidiscrimination, including prohibition of wage discrimination. Indicators include the share of women-owned enterprises receiving loan and grant financing, and the number of women participating in cash-for-work activities supported by the project.

In order to address constraints to expanding economic opportunities in mangrove value chains and other sectors, the project will develop sustainable enterprises in selected coastal commodity value chains by encouraging business development in these value chains. This will include technical and operational assistance, capacity building, and skills development at the community and individual level. Youth will be prioritized in these business development activities, to promote a new generation of businesses that are on a more sustainable path. In addition, implementation of mangrove protection activities will take place in line with village mangrove management plans and will include activities such as environmental education for youth using existing curriculums (for example, “Marvelous Mangroves” and “Do Your Own Mangrove Action Project”), teacher trainings, and integration into formal school curriculums (for example, community studies, and mangrove management awareness campaigns with local population, particularly the youth).

Women, youths, and vulnerable or marginalized groups will benefit from M4CR, that will address constraints to expanding economic opportunities in mangrove value chains and other sectors through strengthened governance, capacity building, and skills development at the community and individual level. It is a goal of the project that women comprise 30 percent of the beneficiaries. Youth will be



prioritized in the business development activities. Indigenous communities will benefit from project activities, particularly livelihood support.

**List the key documentation and sources used for the analysis:**

- WB Systematic Country Diagnostic Update for Indonesia 2020
- WB draft Project Appraisal Document (PAD) for the Indonesia Mangroves for Coastal Resilience Project

**Are additional studies/analytic work needed? How and when will it be done?**

n/a

## 5. Inclusive sustainable growth, climate change and environment

The M4CR project uses and builds on national systems while strengthening institutions to ensure sustainability. Implementation is fully embedded within existing institutions, namely the MoEF and BRGM and their technical implementing units at the provincial level. The fund flow management role of the Indonesia Environmental Fund (IEF), a Public Service Agency under the Ministry of Finance, will help develop that agency's capacity as the dedicated institution for the management of climate finance. The sustainability will be supported by development of a mangrove financing window within the IEF, which is expected to continue operating beyond the lifetime of the Project. The M4CR Component 1 activities are specifically designed to develop a policy and regulatory environment conducive to continued mangrove management, including training, development of regulations, and data systems that underpin rehabilitation and conservation actions within and well beyond the Project. Sustainability is further promoted by forums for cross-sectoral coordination, helping to solidify mandates and understanding across agencies, and the strengthening of long-term monitoring systems.

At the local level, the project seeks to leverage the village-level mechanisms, including leveraging village funds (dana desa) for mangrove management activities and sustainable livelihoods, integrating mangrove management into village plans and involving village councils in decision making on mangrove management.

The project's livelihood component will provide the financial capital (matching grants) and knowledge required to develop small business opportunities linked to the continued provision of these ecosystem services, better aligning economic interests toward conservation. These efforts will be complemented by the explicit inclusion of mangrove management within the village-level planning and decision-making bodies (village plans and village councils) to ensure ownership and tailoring of implementation at the local level.

M4CR proposes reforms and capacity building across two broad inter-related areas: coastal livelihoods support, and marine and coastal resilience. The project includes support for diversification out of climate-sensitive livelihoods and will finance studies and TA related to livelihood opportunities and effect of climate change. Underpinning these outcomes are resilient coastal environments which help protect communities from climate change-related disasters and provide habitat for productive livelihoods. Combined, these features will reduce the anticipated risk from climate and geophysical hazards.

The project seeks to leverage payment for blue carbon which can be transformational depending on the price of carbon in the markets that the Government can get. Monetizing mangrove carbon assets and returning these benefits back to local communities and local governments, is a key innovation of this project that can have significant impact on the sustainable management of mangroves. In promoting capacity to draw on carbon financing, the project adds an important incentive to develop and institutionalize the systems necessary for long-term results achievement, due to upfront requirements of

carbon payees as well as future carbon payment opportunities that may become available as carbon markets mature.

The results-based orientation of the M4CR project further supports sustainability by incentivizing long-term management. In promoting capacity to draw on carbon financing, it adds an important incentive to develop and institutionalize the systems necessary for long-term results achievement, due to upfront requirements of carbon payees as well as future carbon payment opportunities that may become available as carbon markets mature. Under the project itself, the government will retain the option of seeking higher-priced emissions reduction credits if and when market demand (and the quality of the government's credits) allows, while also providing a price floor that will help prevent regression in case of unfavorable future market prices. In the short term, the use of Performance Based Conditions (PBCs) places emphasis on results, which is important given that mangrove rehabilitation has experienced low rates of success in earlier efforts. PBCs aim to ensure important technical improvements in rehabilitation practices, including adoption of new establishment techniques and site selection that reflects local conditions, critical for long-term viability of mangrove projects.

The World Bank has conducted a detailed assessment of the environmental risks. Environmental risks relate to implementation/construction stage, are of temporary nature and can be managed by use of widely known standard mitigation and prevention techniques and practices. The nature of these risks relates to specific activities to be undertaken, and include, among others, alteration of the water hydrology cycle at some; presence of herbicides and pesticides; waste handling and disposal; health and safety of local workers and community members; work in sensitive and/or protected habitats; protection of marine and terrestrial biodiversity; and ecosystem services and sustainable management of living natural resources. As mitigation, the projects will prepare an Environmental and Social Management Framework (ESMF) as a risk management instrument.

**List the key documentation and sources used for the analysis:**

WB draft PAD for the Indonesia Mangroves for Coastal Resilience Project (M4CR)

**Are additional studies/analytic work needed? How and when will it be done?**

n/a

## 6. Capacity of public sector, public financial management and corruption

In general, Indonesia's institutional capacities at the central government and in de-centralized entities are weak, e.g., in policy formulation and coordination, effective implementation, design and implementation of regulation. This leads to a large volume of poorly coordinated regulations, conflicting and poorly coordinated policies, poor policy implementation and non-compliance, all of which reduce competitiveness, provide opportunities for corruption and limit the effectiveness of the government in accelerating economic development.

Furthermore, the implementing agencies of the project, the MoEF and BRGM, have limited experience with Bank-financed projects, which means inadequate capacity, particularly at the provincial level.

M4CR capacity-building measures will be undertaken during implementation and are detailed in the Environmental and Social Management Framework (ESMF) and Project Operations Manual. They will directly benefit Indonesia's institutions involved in mangrove management at the national and subnational levels through reinforced human resources, trainings, and knowledge sharing; increased



public revenue; improved scientific and monitoring capacities; and, ultimately, more effective management and governance of mangrove ecosystems.

It will support the GoI in hiring staff familiar with Bank-financed projects, providing frequent trainings for the implementing units, and frequent implementation support missions to ensure close monitoring of project preparation and implementation, and to assist them as needed, especially early in the implementation phase.

A national Project Management Office (PMO), together with Provincial Project Implementation Units (PIUs) will be established and staffed with technical, fiduciary, monitoring and evaluation, and safeguard specialists. Given the lack of experience of the implementing agencies, the World Bank will provide selective, in-depth training during the project implementation of Bank operational procedures, particularly on financial management, procurement, and environmental and social risk management. A detailed capacity assessment for fiduciary safeguards is carried out during project preparation and further informs the implementation arrangements and related actions.

Danish funds will be channeled through the World Bank's Indonesia Oceans, Marine Debris and Coastal Resources, Multi-Donor Trust Fund. As such, the funds will be subject to the World Bank's fiduciary requirements. Financial management of the grant will mainly use the government's existing system which includes budgeting, accounting, reporting, internal control, and auditing.

The geographically dispersed project locations may create challenges to monitor and supervise budget execution, and to prepare consolidated program financial reports without delays. A Financial Management Assessment (FMA) was carried out by the World Bank to assess the adequacy of the financial management system of the implementing agencies to produce timely, relevant, and reliable financial information on project activities. The FMA also assessed the adequacy of the accounting systems for project expenditures and underlying internal controls to meet fiduciary objectives and allow the World Bank to monitor compliance with agreed implementation procedures and progress toward its objectives.

To mitigate these challenges the project will:

- i) Develop a Project Operation Manual (POM) subject to the World Bank's approval. The POM will include detailed information on the roles and responsibilities of the Executing Agency/Project Management Office, Project Implementation Units and the Indonesian Environment Fund (IEF), arrangements on planning, budgeting, fund flow, payment process, accountability and financial reporting, verification protocol for disbursement against performance-based conditions, block grants, monitoring, and audit;
- ii) Recruit Financial Management consultants to support the PMO and IEF including capacity building to the implementing agencies on financial management; and
- iii) Appoint Badan Pemeriksa Keuangan (BPK), Indonesia's supreme audit institution, as the external auditor of the project.

Additionally, ongoing Technical Assistance by the World Bank to the IEF that includes improvements of the IEF's Management Information System will also build capacity of IEF on administering the fund of the proposed operations.

The FMA concluded that, with implementation of these actions, the proposed financial management arrangements will satisfy the World Bank's minimum requirements under the Bank Procedures October 1, 2018.

Regarding corruption, Indonesia ranks modestly in international comparison. In 2019, it ranked 80th among 180 countries on the Transparency International Corruption Perception Index, with a score of 40, a significant improvement relative to 2004 (score 20). The indexes for 2020 and 2021 however shows a slight decline with a ranking among 180 countries of 102 and 96 respectively and a score of 37 and 38. The WB Worldwide Governance Indicators (WGI) corruption indicator suggests a similar trend.

The World Bank has long international experience of addressing corruption. Procurement for the proposed project will be carried out in accordance with the 'World Bank Procurement Regulations for Borrowers under Investment Project Financing', dated July 1, 2016, and updated November 2017 and August 2018. The project will be subject to the World Bank's Anticorruption Guidelines, dated July 1, 2016, and beneficiary disclosure requirements. Consistent with its policies and procedures, the World Bank will take all appropriate measures to prevent corrupt, fraudulent, collusive, coercive and obstructive practices in connection with the use of the Trust Fund funds and include provisions in its agreement with the Recipient to give full effect to the relevant World Bank guidelines on fraud and corruption. The Bank will act in accordance with its applicable policies and procedures, including, where relevant, seeking appropriate redress including potential sanctions, taking all necessary actions to recover funds that are the subject of an investigation where the Bank has determined it as appropriate. To the extent that any funds are refunded to the Trust Fund following an investigation, the Bank shall use such funds for the same purposes as the contributions, unless otherwise agreed between the Bank and each Donor.

**List the key documentation and sources used for the analysis:**

- Transparency International's Corruption Perceptions Index 2019, 2020 and 2021
- The Worldwide Governance Indicators (WGI) 2020
- WB Systematic Country Diagnostic Update for Indonesia 2020
- WB Indonesia Country Partnership Framework
- WB draft Project Appraisal Document (PAD) for the Indonesia Mangroves for Coastal Resilience Project

**Are additional studies/analytic work needed? How and when will it be done?**

n/a

## 7. Matching with Danish strengths and interests, engaging Danish actors and seeking synergies

The M4CR programme aims for better management of mangrove ecosystems and improved resilience of local communities, thus improving the livelihood of the poorest population, including women. The project will thus contribute to Danish priorities regarding, among others, Sustainable Development Goal (SDG) 1 on poverty, SDG 5 on gender equality, SDG 13 on climate action (addressing mitigation and adaptation in the same project), SDG 14 on life below water and SDG 15 on life on land.

The programme is in line with the Denmark's Strategy for Development Cooperation, which specifically highlights promoting nature-based solutions and ensuring sustainable management and use of ecosystems, and the Danish long-term Global Climate Action Strategy, which includes promoting synergies between climate, environment and biodiversity.

The Danish support to M4CR focuses on creating enabling conditions to receive payments for 'blue carbon' and will add value by mobilizing additional financial resources to the communities. The Danish funds will contribute to making carbon credits available to interested parties. Payments for 'blue carbon' is new to Indonesia, and the Danish support will be innovative by creating an enabling framework for a much wider mobilization of carbon finance, including by producing carbon credits which can be purchased by Danish or international players. A large Danish Energy company has already shown interest in engaging in M4RC and at a later stage purchase credits.

### *Danish strengths and interest in Indonesia*

The Government of Denmark has been cooperating with the Government of Indonesia since 2005, through the Environmental Support Program (ESP), which has gone through 3 phases. The final phase in Environmental Support Program 3 (ESP33, 2013-2019), has been implemented jointly by the Indonesian Ministry of Environment and Forestry (MoEF) and Ministry of Energy and Mineral Resources (MEMR). With a total budget of DKK 270 million, ESP3 has addressed environment, energy, forest conservation and climate challenges with the objective of climate change mitigation and adaptation - and ultimately a transition to greener growth in Indonesia. See: [Countries & Regions \(um.dk\)](#), [XM-DAC-3-1-209698 \(um.dk\)](#). ESP3 supported Harapan Rainforest (98,555 hectares of formerly commercially logged lowland tropical forest in central-south Sumatra) and has been instrumental for the protection of the integrity of Harapan Rainforest and the management and restoration of its biodiversity during the project period. The Danish support has also contributed to livelihood development of the communities living in and around the rainforest. See: [XM-DAC-3-1-190384 \(um.dk\)](#)

Currently, Denmark is engaged in several strategic sector cooperations (SSCs) with GoI where the two most relevant to M4RC are on environment and energy. The SSC program on environment has Ministry of Environment and Forestry (MoEF) as partner.

The Danish funds will be channeled through the World Bank's OMDTF which was initiated by Denmark and Norway in 2014 and has supported technical assistance to implement ocean policy, reduce marine debris and strengthen coastal resilience and been successful in helping to significantly raise the profile of Indonesia's commitment to finding solutions to its sustainable ocean challenges, especially marine debris. [XM-DAC-3-1-269861 \(um.dk\)](#)

### *Coordination with other development partners*

The World Bank is one of Denmark's key partners in implementing programs within environment and climate challenges in Indonesia and the region. Previous and current Danish engagement with the World Bank include Support to REDD+ Support Facility (DKK 13.4 million), Forest Investment Project 2 (DKK 40

million), Oceans, Marine Debris, and Coastal Resources Multi-Donor Trust (OMDTF) (DKK 12.5 million), and Support Southeast Asia in Combatting Marine Plastic (Sea-MAP) (DKK 5 million, see below).

Denmark has been a donor to IDH (The Sustainable Trade Initiative) since 2012. IDH's goals are closely aligned with the Danish development strategy. In the context of the M4CR project, IDH can further promote sustainable development globally ensuring better jobs and income as well as improved living standards for workers while also protecting the environment.

Denmark has also supported several multinational organizations operating in Indonesia especially on transition to renewable energy but also for instance Global Green Growth Institute (GGGI) working in partnership with BAPPENAS on integrating green growth in national- and subnational planning, which can also be relevant to the coastal mangrove communities in Indonesia

The M4CR implementation will be coordinated with initiatives financed by other development partners. This includes Germany-supported Forest Program II, funding from the United States Agency for International Development (USAID) for mangrove management, support from the United Arab Emirates, and the Korean Peace Forest Initiative.

#### *Danish Companies*

Several Danish companies are involved in Indonesia's environmental sector and have expertise that could be relevant to the M4CR project. Focus of these companies is varied from cleaning solid waste in river bodies by using auto-mechanical tool to cleaning ocean plastic by using blockchain technology as well as Danish consultant companies and non-profit organisations, which has developed a tool for palm oil producers to develop capacity within legal requirements and reporting. Several of the activities in the M4CR projects calls for technical expertise where Danish competences can come into play. They include in addressing the risks of pollution, including liquid and solid waste handling and disposal.

#### *NGOs*

Several Danish NGOs are active in the environment/forestry area in Indonesia. The Danish NGO 'Orangutang Fonden' in partnership with Borneo Nature Foundation and Borneo Orangutan Survival Foundation has several on-going projects on Borneo focusing on improving livelihoods and local community through among other things strengthening forest rights and restoration of forest which is very much in line with the objectives of M4CR. Most of the projects are in Central Kalimantan with one on culture-based advocacy for achieving rights and recognition in East Kalimantan where M4CR will operate. It is engaged in protecting and rehabilitating existing forest in Central Kalimantan. The organization can thus provide valuable information to the project on indigenous rights and livelihood strategies of small-scale communities from other parts of Borneo and share best practice.

Besides Orangutang Fonden the WWF Denmark is involved in rehabilitation of rainforest on Sumatra and Borneo after wildfires.

**Can we say this: *The Danish Embassy will follow the implementation of M4CR project to be able to identify possible business opportunities for Danish companies and synergies with other development programs***

**List the key documentation and sources used for the analysis:**

- The Royal Danish Embassy in Jakarta

**Are additional studies/analytic work needed? How and when will it be done?**

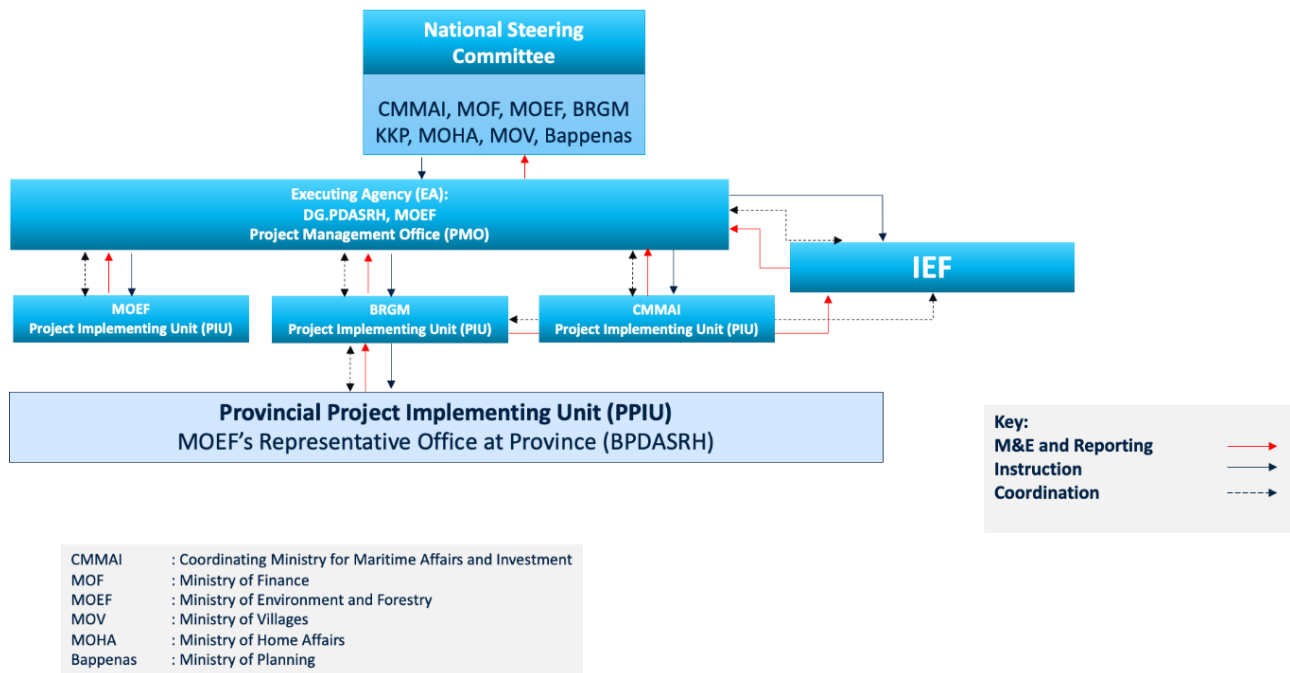
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## ANNEX 2: PARTNERS

The purpose of this Annex is to provide an overview and brief presentations of the main partners involved in the M4CR project. First and foremost, this includes World Bank Indonesia as the main project partner, and secondly a number of Indonesian national and local partners.

Overall structure of the M4CR project is depicted below.



A National Project Steering Committee, composed of representatives from sectoral ministries, will be established to provide overall oversight and strategic policy guidance to project implementation. There will be 3 main Implementing Agencies (IAs) for the entire project, that being CMMAI, MoEF and BRGM. The implementing agent for sub-component 1.4 is CMMAI, whereas MoEF is responsible for other parts of component 1. For component 2 and 3 BRGM will implement in coordination with MoEF. A The MoEF will execute the project through a Project Management Office (PMO). The PMO will be responsible for the overall M4CR management, coordination, and monitoring of project implementation, including ensuring adequate annual budget allocation, reviewing, and consolidating the annual work plan, and technical and financial reporting.

Each of the IAs will oversee its own Project Implementing Unit (PIU), that constitutes a dedicated team responsible for overseeing each ministries/agency's respective activities and will be staffed with technical, fiduciary, monitoring and evaluation, and safeguard specialists.

At the subnational level, Provincial Project Implementation Units (PPIUs). The PPIUs will be staffed with technical and administrative personnel to support project management and implementation.

In addition, a National Technical Committee will be established under the Indonesia Environmental Fund (IEF) to provide overall technical guidance.

### **World Bank Indonesia**

The M4CR project partner, World Bank Indonesia, is a very capable stakeholder. The Indonesian office of World Bank is the largest outside Washington and have shown commitment and dedication to the mangrove project. World Bank Indonesia have a high stake in making the M4CR a success, and are conducting meetings about the project with the Indonesian president and several ministers. M4CR will directly contribute to the World Bank's Country Partnership Framework (CPF) for 2021-2025 by strengthening the management of a key ecosystem, reducing pockets of poverty of coastal households that usually face higher poverty rates than the national average, and increasing resilience to coastal hazards.

The World Bank has significant experience and a track record in providing technical assistance and investment financing to governments in building coastal resilience. The institution brings knowledge of global best practices in mangrove rehabilitation (including emphasis on planning to understand the hydrological, vegetative, and edaphic (soil/substrate) conditions of an area before restoring, as well as adapting different rehabilitation methods to specific local conditions; promotes different tools to ensure the involvement of and benefits to local communities to ensure sustainability of rehabilitated areas; and proposes a robust monitoring and evaluation system including clear indicators of success in rehabilitation (which account not only for the physical implementation of rehabilitation activities, such as planting, but the medium-term success of rehabilitated areas in recovering their ecosystem functions). The Bank will also bring significant technical assistance to the GoI on innovative topics such as nature-based solutions for coastal management; mechanisms to leverage blue finance, including payments for blue carbon and private financing of mangrove protection and rehabilitation; and effective livelihood improvement mechanisms.

The Bank has been supporting the mangrove agenda directly since 2019, including through policy dialogue and advice to government entities (Ministry of Marine Affairs and Fisheries, Coordinating Ministry for Maritime and Investment Affairs (CMMAI), and Ministry of National Development Planning) and subnational governments, as well as by leveraging grant funding to finance a series of analytical work and a robust technical assistance program. Leveraged resources include the Indonesia Oceans Multi-Donor Trust Fund (Oceans-MDTF), PROBLUE<sup>1</sup>, the Sustainable Landscape Management Program MDTF, and the Coastal Fisheries Initiative (funding from the Global Environmental Facility).

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<sup>1</sup> PROBLUE is an umbrella multi-donor trust fund administered by the World Bank that supports the sustainable and integrated development of marine and coastal resources in healthy oceans.

### **Coordinating Ministry of Maritime Affairs and Investment (CMMAI)**

CMMAI will be the main implementing agency for sub-component 1.4 on blue carbon. CMMAI's general role in society includes coordination and synchronization of formulation, establishment, control, development and implementation of management, tasks and policies both within the maritime ministry and affairs, but also across other sectors and ministries. Since 2014 CMMAI have been the coordinating ministry for several ministries including MoEF, but also for the ministries: Investment, Transportation, Maritime Affairs and Fisheries, Tourism as well as Energy and Mineral Resources. CMMAI plays a major role in the central government and thus have a lot of experience with working cross-sectoral and with many stakeholders. Although their role as coordinating ministry makes them less experienced in managing funds directly and as implementation agency, which is why CMMAI will be working closely with MoEF, as well as WB, whenever support is needed.

CMMAI will be the Chair of the Steering Committee of this project, and a Chair of the Mangrove Coordinating Group (Pokja Mangroves). The project will support a functioning multistakeholder coordination platform at national level through the Pokja Mangroves and at subnational level through Regional Mangroves Restoration Teams (TRGMD).

#### *POKJA Mangrove*

A Pokja is a government working group and The National Mangrove Working Group (Pokja Mangrove) will be a national coordination body comprised of representatives from relevant government agencies, including: Ministry of Environment and Forestry (MoEF), Ministry of Marine Affairs and Fisheries (MMAF), Peatland and Mangroves Restoration Agency (BRGM), Ministry of Villages, Ministry of Land Administration, private sector representatives and academics, who will coordinate on mangrove issues in general. The purpose of the Pokja Mangrove is not to serve the M4CR Project – it is a coordination body for mangrove issues and the M4CR Project will provide financing to support its operation in order to enhance cross-sectoral coordination between multiple stakeholders. Pokja Mangroves are supported by the Danish contribution.

### **Ministry of Environment and Forests (MoEF).**

MoEF will be one of the IAs for the M4CR Project and will be the implementing agency for Component 1 (except sub-component 1.4 on blue carbon), and lead and manage the implementation of project activities, each supported by a Project Implementation Unit (PIU).

MoEF will furthermore support the implementation of Component 2 including the identification of sites for rehabilitation and conservation activities, development of required regulations, and monitoring and evaluation.

The Ministry of Environment and Forestry (MoEF) of Indonesia administers environmental and forestry matters. The Ministry is a merger between Ministry of Environment and Ministry of Forestry since 2014 and is coordinated by CMMAI.



The MoEF has a number of directorate-generals (DG); Planology and Environmental Management, Natural Resources and Ecosystem Conservation, Watershed Management and Forest Rehabilitation, Forest Management, Pollution Control, Solid Waste, Hazardous Waste, and Hazardous Substances Management, Climate Management, Social Forestry and Environmental Partnership, and Forest Law Enforcement.

Furthermore, the MoEF coordinates issues on the national level. On the provincial level, the Ministry has Departments of Environment and Forestry (DLHK) in each of the Indonesian provinces.

MoEF is a close partner of the Danish Embassy and was the focal point of the decade-long Danida Environmental Support Programs - primarily through the DG for Planology and Environmental Management and DG for Solid Waste, Hazardous Waste, and Hazardous Substances Management. MoEF currently is the Indonesian counterpart for the Strategic Sector Cooperation in Environment with the Danish Environment Protection Agency.

### **Peatland and Mangrove Rehabilitation Agency (Badan Restorasi Gambut dan Mangrove, BRGM)**

In the M4CR, the Peatland and Mangrove Restoration Agency (BRGM) will be the IA for Components 2 and 3, supported by the MoEF and its technical implementing units at the provincial level (the Center for Watershed Management and Forest Protection (Badan Pengelola Daerah Aliran Sungai dan Hutan Lindung, BPDASHL).

BRGM has a target of restoring peat ecosystems of about 1.2 million hectares in seven priority provinces and rehabilitation of 600,000 hectares of mangrove forests in nine provinces until 2024. By 2022, BRGM aims to restore 360,000 hectares of peatland and 228,200 hectares of mangrove areas.

According to BRGM data, the achievement of peat restoration work realized through the 3Rs (restoration, revegetation and revitalization) from 2016-2020 is about 835,228 hectares.

BRGM will start sharing data across ministries and agencies to facilitate rehabilitation efforts. This is essential as it allows the collection of mangrove rehabilitation data from various ministries, institutions and private and the public for planning and evaluation purposes.

### **Indonesian Environment Fund (IEF)**

The IEF, a Public Service Agency (Badan Layanan Umum) under the Ministry of Finance (MoF), will administer the project funds under a "mangrove window." The IEF will be responsible for liaising and coordinating with the MoF, especially to withdraw funds from the State Treasury (RKUN). The IEF will also be responsible for disbursing funds to the PMO, PIUs, and PPIUs. The IEF will reduce the administrative burden on implementing agencies and support the PMO in consolidating financial reporting by all PIUs and PPIUs.

### **Finance and Development Supervisory Agency (BPKP)**

The GoI will appoint the Finance and Development Supervisory Agency (Badan Pengawasan Keuangan dan Pembangunan, BPKP) and third-party agencies as Independent Verification Agents. The BPKP is an official government verifying agency and has experience carrying out similar roles for other World Bank-financed operations. The MoEF and CMMAI will hire independent third-party entities with qualifications, experience, and terms of reference satisfactory to the Bank to carry out the verification activities for certain PBCs.

### **Other initiatives financed by other donors**

The MC4R implementation will be coordinated with initiatives financed by other development partners. This includes Germany-supported Forest Program II, funding from the United States Agency for International Development (USAID) for mangrove management, support from the United Arab Emirates, and the Korean Peace Forest Initiative. The National Mangrove Working Group (POKJAa Mangrove) will lead regular donor coordination meetings, led by the CMMAI, and supported by this project. These donor coordination meetings will enable development partners to share lessons learned and best practices, while avoiding overlap and duplication. The meetings will be informed by maps that clearly show the areas of intervention funded by each development partner, which will also be supported by this project.

### **Other stakeholders**

Stakeholder engagement is pursued through ongoing dialogue, which also enables community-level consultations. The project will engage a wide range of stakeholders at both the national and subnational levels, covering key government agencies, village governments, intermediary organizations, local communities, and mangrove-based businesses (both the owners and workers) in target locations. There are also interested groups, such as development partners, nongovernmental organizations (NGOs), universities, and media, who will be engaged in various ways depending on their anticipated interests and expected roles in the project.

## Partner analysis

Name of Partner	Core business  What is the main business, interest and goal of the partner?	Importance  How important is the project/programme for the partner's activity-level (Low, medium high)?	Influence  How much influence does the partner have over the project programme (low, medium, high)?	Contribution  What will be the partner's main contribution?	Capacity  What are the main issues emerging from the assessment of the partner's capacity?	Exit strategy  What is the strategy for exiting the partnership?
World Bank Indonesia	<p>Providing technical assistance and investment financing to building coastal resilience</p> <p>Strengthening the management of a key ecosystem, reducing pockets of poverty of coastal households and increasing resilience to coastal hazards.</p>	High. M4CR will directly contribute to the World Bank's Country Partnership Framework (CPF) for 2021-2025	High The partner has significant leverage and is a key stakeholder to the project.	Technical assistance, investment financing and knowledge of global best practice in mangrove rehabilitation.	<p>Strength: Extensive experience with providing technical assistance and investment financing to governments in building coastal resilience.</p> <p>Opportunities: Strengthen GoI's institutional capacity within blue carbon finance and PBF within the environmental sector</p> <p>Threats: Challenges with the institutional context and incoherence in governance structures (see Annex 1)</p>	The M4CR Project is expected to conclude in December 2027. Through the SC, and in close coordination with other donors,, Denmark will follow the project on an ongoing basis and make due dispositions in the highly unlikely event that a strategy for exiting the partnership is needed.
Coordinating Ministry of Maritime Affairs and Investment (CMMAI)	<p>The primary implementing agency for <b>sub-component 1.4</b> on blue carbon.</p> <p>Coordinating and implementing activities related to sub-component 1.4 as well as activities supporting communication and institutional environment</p> <p>Funded by the Danish contribution</p>	High. M4CR will directly contribute to the GoI's mangrove rehabilitation priorities, which again serves as a vehicle to realize GoI's climate targets.	High. Main interlocutor for sub-component 1.4.	Political leverage and experiences with maritime objectives. CMMAI is a coordinating Ministry, and thus powerful in the internal setup of GoI. The Coordinating Minister is the very top-level advisor to the President.	<p>Strength: Experience in maritime issues and other cross-cutting domains related to the project scope</p> <p>Weaknesses: Limited experience with implementation processes due to the nature of former role as coordinating ministry</p> <p>Opportunities: Political leverage</p>	The main stakeholder coordination of the M4CR Project is the responsibility of World Bank and supervised by donors throughout the project.

	through Oceans MDTF				Threats: Uncertain mandates between co-implementing bodies, such as MoEF	
Ministry of Environment and Forests (MoEF)	Implementing and executing agency. Responsible for overall management, coordination, and monitoring of project implementation, including ensuring adequate annual budget allocation, reviewing, and consolidating the annual work plan, and technical and financial reporting.	Medium to high. Without the program, the MoEF will not have the proper financing or access to the acquired knowledge and technical assistance in order to reach project goals or aspired Indonesian carbon emission reductions.	Medium to high. The MoEF will be one of the projects executing agencies and will thus influence the implementation process and degree of successful outcomes greatly.	Leverage of political support for the programme and the effectiveness agenda; along with programme coordination and oversight during implementation.	Strength: Political leverage and knowledge of project context (see Annex 1)  Weaknesses: Part of the complex institutional environment, that in itself needs improvement  Opportunities: Good leverage in providing strategic policy guidance  Threats: Internal institutional challenges	The main stakeholder coordination of the M4CR Project is the responsibility of World Bank and supervised by donors throughout the project.
Peatland and Mangrove Rehabilitation Agency (Badan Restorasi Gambut dan Mangrove, BRGM)	BRGM will be the Implementing Agency for Components 2 and 3, supported by the MoEF.  BRGM will oversee the Provincial Project Implementation Units (PPIUs) and share data between different bodies and institutions.	Medium to high Indonesia can receive revenues of up to 350 trillion rupiah from the transaction of buying and selling carbon emission certificates.	Medium to high As implementing agency BRGM covers multiple provinces and manage PPIUs.	Data sharing across ministries and agencies in order to facilitate and rehabilitation efforts.	Strength: Overview of implementation and access to data from PPIUs.  Weaknesses: BRGM's mandate will expire in December 2024.  Opportunities: With proper data management BRGM have the opportunity to streamline	Handover responsibilities and mandate to MoEF by December 2024.

	Support the GoI interest in overarching policy on sustainable management and conservation of the mangrove ecosystem alongside enhanced multi-sectoral coordination.				project data flow and collection.  Threats: Challenges related to handing over BRGM mandate and capacity to MoEF by December 2024.	
Indonesian Environment Fund (IEF)	Responsible for liaising and coordinating with the MoEF and disbursing funds to the PMO, PIUs, and PPIU.  Support the PMO in consolidating financial reporting by all PIUs and PPIUs		Low to medium. Serving under the Ministry of Finance and will administer project funds under a “mangrove window”.	Reduce the administrative burden on implementing agencies and support the PMO in consolidating financial reporting by all PIUs and PPIU		
Finance and Development Supervisory Agency (Badan Pengawasan Keuangan dan Pembangunan, (BPKP)	Government verification agency  Will carry out the verification activities for certain PBCs including internal auditing.	Involvement of the BPKP as the government internal audit agency to verify some of the PBCs and appointment of BPK as the supreme audit institution as the external auditor of the project		Internal and external auditing		
Other initiatives financed by other donors: Germany-supported Forest Program II United States Agency for International Development (USAID) United Arab Emirates Korean Peace Forest Initiative The National Mangrove Working Group (Pokja Mangrove)	Funding and donor coordination meetings  To share lessons learned and best practices			Avoid overlap and duplication between development partners	Strength: Large knowledge base  Weaknesses: organizational difficulties  Opportunities: Knowledge sharing  Threats: Issues with cooperation	

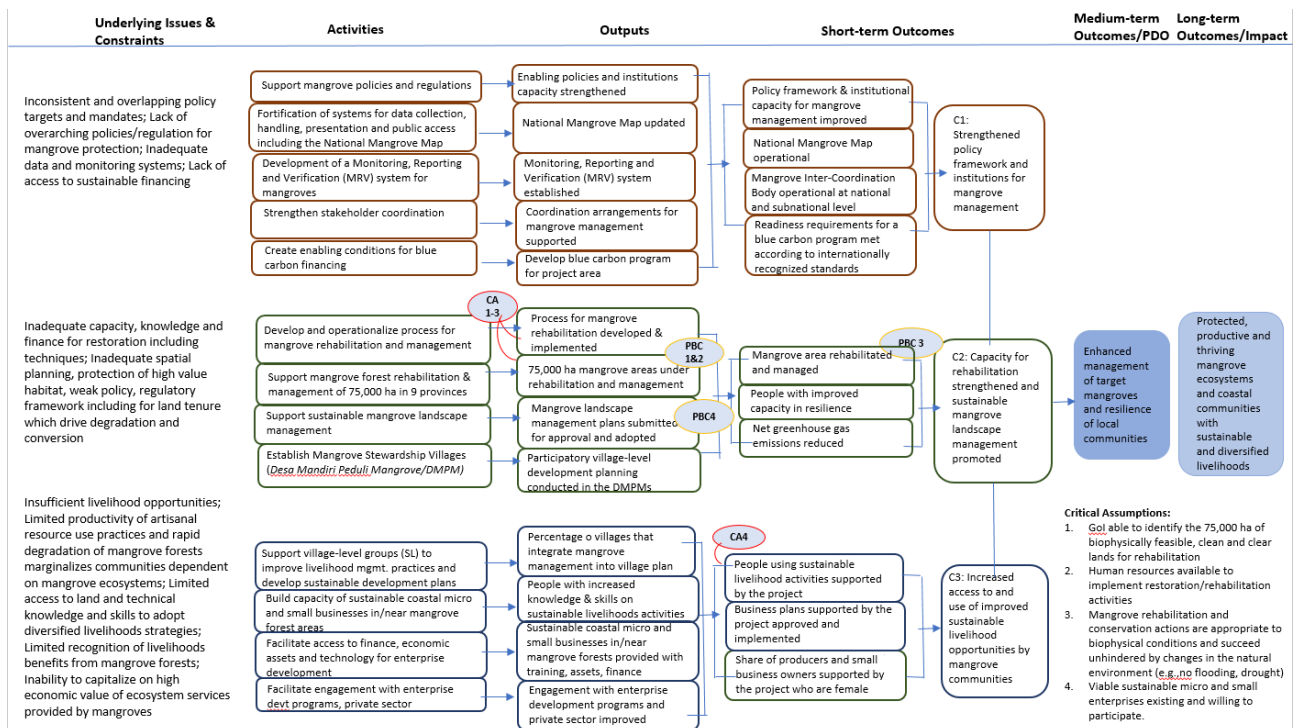


## ANNEX 3: THEORY OF CHANGE, SCENARIOS AND RESULTS FRAMEWORK

### Theory of Change

The World Bank’s Mangroves for Coastal Resilience project (M4CR) uses an integrated landscape management approach to support simultaneous investments and policies to strengthen the resilience of coastal ecosystems and of coastal communities. M4CR focuses on strengthening coastal management through mangrove rehabilitation and sustainable mangrove landscape management, while improving the livelihoods of coastal communities. Promotion of alternative livelihoods will diversify the options for local communities, reduce pressure on natural resources such as mangrove forests, and increase their value to local communities. This integrated approach is a key value proposition of the project, and a departure from the fragmented manner these challenges have been dealt with to date. The project will also adopt a resilience approach to mangrove management to safeguard the climate resilience function that the mangrove ecosystem provides for Indonesia’s coastline and to build the adaptive, absorptive and transformative capacity of coastal communities. Well-managed mangrove ecosystems can reduce the impact of climate-related hazards and ensure that coastal communities can continue deriving livelihood benefits from mangroves in the face of shocks. This approach will emphasize shared management of a mangrove forest landscape by its diverse group of stakeholders to enhance decision making and problem solving, as balanced power among interest groups plays an important role in adaptive and absorptive capacity.<sup>31</sup>

The Theory of Change for the M4CR project is presented in Figure 1 below.



Denmark’s funds will support Component 1: Strengthened policy and institutional framework for mangrove management, with the grant to the Government of Indonesia supporting the Activity “Create enabling conditions for blue carbon financing”.

Activities will result in the development of a blue carbon program for the project area, which will then need to meet the readiness requirements of internationally-recognized standards in order to be eligible for blue carbon finance payments from donors/financiers. The potential for blue carbon finance will create an incentive to put mangrove management regulations and a program in place, which are needed to maximize carbon emission reductions as well as ensure their sustainability. Denmark will support communication strategies for public outreach for the overall M4CR project. Communication strategies will be cross-sectoral and implemented by several different ministries. The aim is to articulate and target a broader audience, not only for GoI to increase support and awareness for the national mangrove project, but also in order to increase the public support, hence local attitudes, reflecting local stakeholder engagement.

*Key assumptions:*

The success of the Danish supported outputs, is dependent on 4 key assumptions:

<b>GoIs interest in blue carbon markets</b>	The continued interest of the Government of Indonesia in participating in blue carbon markets, which is in turn depending on international demand for blue carbon credits.
<b>Rights and regulations</b>	Work on clarification of carbon rights, carbon regulations, and land tenure aspects is continued, as it will ensure carbon payments to be shared with eligible beneficiaries.
<b>Establishment of POJKA Mangrove</b>	Due to the high risk of the political and institutional environment, the establishment of POJKA Mangrove is critical in order to address the underlining issues with uncoordinated and overlapping governance structures in the project context.
<b>High-level political support</b>	The M4CR maintain its high-level political support, which will underpin the implementation and development of the project, but may lead to political pressure on PIUs for quick results.
<b>Stakeholder buy-in</b>	Sufficient stakeholder buy-in and involvement alongside clarification of carbon rights, carbon regulations, and land tenure aspects.



## Results Framework

### Overall M4CR:

Project	Mangroves for Coastal Resilience Project
Project Objective	To enhance the management of target mangroves and the resilience of local communities

Project Title	Mangroves for Coastal Resilience Project		
Outcome	Strengthened policy and institutional framework for mangrove management		
Outcome indicator	<p><b>Indicator:</b> Policy framework and institutional capacity for mangrove management improved (score)</p> <p><b>Description:</b> This indicator measures improvement in the policy framework, institutional coordination and strengthened institutional capacity to enable sustainable mangrove management. It is based on the sum of scores of the following criteria:</p> <ol style="list-style-type: none"> <li>1) Government regulation on mangrove management drafted (0.5) and submitted for approval (0.5).</li> <li>2) National Mangrove Program drafted (0.5) and submitted for approval (0.5)</li> <li>3) Subnational government regulations on mangrove management drafted (0.5 each) and submitted for approval (0.5 each. Total target of 3 sub-national regulations)</li> </ol> <p>Government Regulation (Peraturan Pemerintah/PP) on mangrove management refers to an overarching policy of Indonesia's mangrove management and protection. This new regulation will become Indonesia's first policy framework that governs mangrove ecosystem, transforming a sectoral approach to a transboundary and a landscape approach. It will set out key interventions for mangrove management and protection / conservation, and roles and responsibilities of ministries/agencies at national, subnational government levels and concession holders.</p> <p>The National Mangrove Program refers to a set of operational guidelines for the management of mangroves, which could be in the form of a Plan or Roadmap. It will be developed based on best practices and lessons learned from the project, detailing key information for mangrove management such as: (1) designation of mangrove zones, identifying areas that should be protected, restored or sustainably managed; (2) land tenure status, identifying potential risks and mitigation efforts; (3) types of interventions and activities for mangrove management and protection; (4) monitoring &amp; evaluation; and (4) mangrove governance mechanisms.</p> <p>Sub-national regulations refer to technical regulations or policy derivatives from the national regulation on mangroves. These regulations will be initiated, developed and adopted by the subnational government in the form of a Governor's Regulation, Provincial Regulation, Mayor/Regent's Regulation or District Regulation. The existence of these regulations will demonstrate commitment from subnational governments to ensuring the sustainability of the mangrove management agenda in Indonesia. These regulations will allow subnational governments to allocate funds and appoint specific agencies to implement mangrove programs.</p> <p>The potential for blue carbon finance will create an incentive to put mangrove management regulations and a program in place, which are needed to maximize carbon emission reductions as well as ensure their sustainability.</p> <p>The target is annual and cumulative.</p>		
Baseline	Year 0	0	The defined mangrove management regulations and program are not in place.
Target	Year 1	0	The defined mangrove management regulations and program are not in place.
Target	Year 2	1	A score of 1 is achieved on improving the defined mangrove management regulations and program.
Target	Year 3	3	A score of 3 is achieved on improving the defined mangrove management regulations and program.
Target	Year 4	3	A score of 3 is achieved on improving the defined mangrove management regulations and program.
Target	Year 5	5	A score of 5 is achieved. In other words, the following are achieved: <ol style="list-style-type: none"> <li>1) Government regulation on mangrove management drafted and submitted for approval.</li> <li>2) National Mangrove Program drafted and submitted for approval.</li> <li>3) 3 subnational government regulations on mangrove management drafted and submitted for approval.</li> </ol>

**Readiness criteria 1:** Existence of a reference emissions level (REL) for the program area.

#### Supporting activities will include:

- Baseline: Developing robust baselines for assessing mangrove carbon stocks and fluxes in program area.

**Readiness criteria 2:** Existence of a framework to monitor and report on mangrove cover change.

#### Supporting activities will include:

- Measurement, reporting, and verification (MRV) mechanism and registry: Integrating blue carbon emission reductions into a robust and transparent system for mangrove monitoring, reporting, and verification (including hardware, software, communications, standard operating procedures, institutional arrangements, participatory MRV), a mangrove/coastal and marine ecosystems registry, and the national registry.

**Readiness criteria 3:** Existence of a benefit sharing mechanism for a blue carbon program.

**Supporting activities will include:**

- Policy, regulatory and legal framework: Clarifying carbon rights and land tenure, carbon regulation frameworks for transfer of emission reductions, links with nationally determined contribution reporting, sub-agreement and benefit sharing principles, and how resources would be managed, for example, the role of the IEF in managing and distributing payments;
- Social aspects: support on consultations, social issues, a benefit-sharing plan, and grievance redress mechanisms;

**Readiness criteria 4:** Preparation of a program design document in accordance with an internationally recognized standard (e.g., Verra).

**Supporting activities will include:**

- Knowledge base: conducting analysis and research on carbon economic valuation of mangroves including establishment of permanent sample plots;
- Finance: examine market options and cost-benefit analysis of scenarios, identify potential buyers/financiers and support meeting their requirement.

Day-to-day administration is led by the World Bank-designated OMC MDTF Task Team Leader (TTL) under the Bank’s Environment and Natural Resources (ENR) Global Practice. The TTL is assisted by a core trust fund administration team made up of appropriate operational and technical staff with skills in trust fund administration and management, knowledge management and exchange, and strategic communications engagement and outreach

**Output and indicators related to the Danish Contribution:**

Output	Develop blue carbon program for project area
Output indicator	<p><b>Indicator:</b> Readiness requirements for a blue carbon program are met according to internationally recognized standards.</p> <p><b>Description:</b> This indicator measures the development of a blue carbon program eligible for payments in international markets, designed according to internationally-recognized standards. A blue carbon program that meets readiness requirements would demonstrate the government’s capacity to manage and leverage the benefits from the mangrove ecosystem. There are four readiness criteria that will be assessed: (1) existence of a reference emissions level (REL) for</p>

		the program area, (2) existence of a system to monitor and report on mangrove cover change, (3) existence of a benefit sharing mechanism for a blue carbon program, (4) preparation of a program design document in accordance with an internationally recognized standard (e.g., Verra). Target is cumulative.	
Baseline	Year 0	0	No readiness requirements for a blue carbon program in the project area have been met.
Target	Year 1	1	1 readiness requirement is met.
Target	Year 2	1	1 readiness requirement is met.
Target	Year 3	3	3 readiness requirements are met.
Target	Year 4	4	4 readiness requirements are met.
Target	Year 5	4	4 readiness requirements are met.

Output	Strengthen the functionality of the mangrove thematic working group (POKJA Mangrove)		
Output indicator	<b>Indicator:</b> National Mangrove Inter-Sectoral Coordination Body operational  <b>Description:</b> This indicator measures the operationalization and functional of the National Mangrove Inter-Sectoral Coordination Platform, which will foster inter-sectoral coordination in mangrove management at the central level and with sub-national governments. The platform will be considered operational if it fulfills these three criteria: <ul style="list-style-type: none"> <li>• It has clear ToR / internal document outlining its functions and governance mechanism</li> <li>• It meets at least two times a year, with agenda and dissemination of minutes, meeting the minimum quorum.</li> <li>• It prepares an annual report on the state of mangroves in Indonesia.</li> </ul>		
Baseline	Year 0	No	No clear action from POKJA Mangrove.
Target	Year 1	No	No clear action from POKJA Mangrove.
Target	Year 2	No	No clear action from POKJA Mangrove.
Target	Year 3	Yes	POKJA Mangrove is operational
Target	Year 4	Yes	POKJA Mangrove is operational
Target	Year 5	Yes	POKJA Mangrove is operational

Output	Improved communication and public outreach for the Indonesia mangroves for coastal resilience project		
Output indicator	<b>Indicator:</b> Mangrove for Coastal Resilience Project communication strategies delivered  <b>Description:</b> This indicator measures the development of communication and public outreach strategies for the Indonesia Mangroves for Coastal Resilience Project, which will be cross-sectoral and implemented by multiple ministries. This activity will help the GoI to better articulate and target a wider audience for the national mangrove management project.		
Baseline	Year 0	0	No communications strategies are being developed
Target	Year 1	1	1 national mangrove communications strategy is delivered
Target	Year 2	1	At least 1 public outreach activity at national level is conducted

Key outputs and supporting activities related to communication and strengthening institutional environment:

**Output:** Coordination arrangements for mangrove management are supported.

**Supporting activities will include:**

- Technical assistance to support and strengthen the functionality of the mangrove thematic working group (POKJA Mangrove), including development of an annual work plan and report, national action plan for sustainable mangrove management, and broader stakeholder coordination among others with donors and private sectors.

**Output:** Improved communication and public outreach for the Indonesia mangroves for coastal resilience project

**Supporting activities will include:**

- Technical assistance to support communications and public outreach strategies for M4CR, which will be cross-sectoral and implemented by multiple ministries, to better articulate and target a wider audience for the national mangrove management project.

**Monitoring and Evaluation**

Any formal mission will be complemented by the issuance of an Aide-Memoire and Management Letter, which will be used as formal documentation for all observation reports as well as analyses of the fact findings. Findings, recommendations, and agreed decisions in the Aide Memoires will be used jointly by the GoI and the Bank team to improve project implementation through better quality and targeted technical assistance or any other follow-up actions.

## ANNEX 4: RISK MANAGEMENT

### Contextual risk

While CMMAI is leading on the project's blue carbon activities, the success of blue carbon activities will depend on engagement with and involvement of many stakeholders, including ministries/national government agencies, sub-national government, local communities, and the private sector. This will require strong coordination, which has been a constraint to mangrove management in the past. The Government of Indonesia (GoI) is aware of the need to address these barriers and is committed to doing so. Led by the CMMAI, the GoI is planning to adopt an overarching policy on sustainable management and conservation of the mangrove ecosystem and to strengthen multisectoral coordination platforms at the national and subnational levels, including participation of stakeholders from nongovernmental organizations and the private sector. The World Bank will also provide technical assistance through the Danish funds to strengthen coordination mechanisms and support communications and public outreach/stakeholder engagement.

Risk Factor	Likelihood	Impact	Risk response if applicable	Residual risk	Background to assessment
Political and Governance: Uncoordinated or overlapping policies and investments with impacts on mangroves (including blue carbon) across sectoral ministries or level of government (national, provincial, district/city) may hinder achievement of project targets.	Almost certain	Significant	As mitigation, the project will strengthen multi-stakeholder and cross-sectoral collaboration by supporting the establishment and functioning of a multi-sectoral National Project Steering Committee (NPSC) and a mangrove working group (Pokja mangrove).	Risk reduced through mitigation measures. General risk remains but can be acted upon through close monitoring.	The M4CR is complex and have a lot of stakeholders involved. A number of regulations on mangroves exist, the Indonesian governance structure is characterized by being very decentralized. Decentralized governance makes it difficult to enforce and develop engagements/projects, that are cross-cutting several sectors, stakeholders and ministries at national, subnational and local level.
Political and Governance: The National Mangrove Program has very high-level support, which bodes well for the implementation of this project, but may also lead to political pressure on Project Implementation Units (PIUs) to take "shortcuts" in conducting rehabilitation.	Almost certain	Significant	The World Bank task team will closely follow activity implementation on the ground and seek Bank Management engagement in the event discussions with high-level GoI officials are needed.	Risk substantially reduced through close monitoring.	The mangrove project is very high-profiled and involves vast economic resources. There will always be a certain risk of perverse incentives in projects involved with performance-based payments.
Stakeholders. There is a risk of insufficient stakeholder buy-in (including stakeholders responsible for implementing	Likely	Significant	As mitigation, GoI will prepare a robust Stakeholder Engagement Plan outlining general principles and a collaborative stakeholder	Risk reduced through mitigation measures. Stakeholder engagement actions taken could gradually increase trust and buy-in.	The M4CR project is reliant on acquiring land and local participants for mangrove restoration and rehabilitation. Due to complex land tenure systems, with varying degree of legal recognition, land and areas might be disputed by several actors.

mangrove management activities who would therefore be beneficiaries of blue carbon finance) and land and access conflict, particularly among coastal communities in degraded and converted areas where a myriad of social barriers to mangrove Rehabilitation and conservation exist and in areas where degraded mangroves are now occupied with productive activities.			engagement plan. Livelihood activities, including cash-for-work for labor-intensive activities, will prioritize communities that face some restriction from Rehabilitation and conservation activities.		Furthermore, for those areas where degraded mangrove areas have been converted into other uses, the implicated communities would be more hesitant to participate and risk a source of income.
Political and Governance: The mandate of the Peatland and Mangrove Rehabilitation Agency (BRGM), one of the lead implementing agencies, will end in 2024. BRGM's functions under this project will be transferred to the Ministry of Environment and Forestry (MoEF), which may cause disruption in implementation.	Almost certain	Significant	The World Bank will monitor the transfer of responsibility from the BRGM to the MoEF during project implementation support. The World Bank will also continue the policy dialogue on a possible extension of BRGM's mandate to cover the duration of this project.	Risk reduced through mitigation measures. General risk remains but can be acted upon through close monitoring.	Based on previous experiences from Danish-supported World Bank projects, government restructuring might cause delays in the programme. However, this risk does not directly affect Subcomponent 1.4 where the Danish contribution is mostly assigned for the Blue Carbon Program Development.
Stakeholders may oppose the GoI borrowing for what they perceive to be global public goods (climate mitigation and biodiversity conservation).	Likely	Major	The GoI and World Bank are continuously engaging with NGOs to clarify the goals of the project and address concerns. NGOs are expected to be involved in project implementation to increase delivery capacity and increase their stake in the project.	Residual risk not reduced. However, the actions taken could gradually increase trust.	In the Indonesian public climate issues, except for forest burning (due to smoke) and plastic waste, are not very highly prioritized due to other pressing issues (poverty, health, education).  The M4CR project would thus for some local stakeholders, be seen as unnecessary spending and perhaps as a neglect of issues perceived to be more important.
Increase in Covid 19 which will impede progress and make coordinating difficult especially in PIU's	Less likely	Moderate	After two years of Covid precautionary measures (masks, test ect) are available so the majority of the activities are expected to be carried out.		A central part of M4CR is to contribute to post covid economic recovery.

**Programmatic risk**

The M4CR project faces the risk of complex land tenure issues arising in some areas, which would need to be resolved as a condition for success of mangrove rehabilitation and protection efforts, consequent blue carbon emission reductions, and carbon finance benefit-sharing arrangements. Related to this, the suitability of rehabilitation areas will only be known during project implementation, with the implication that project targets, including for emission reductions, will have to be reviewed midway. This is particularly true as land tenure conditions in the field may not be conducive to mangrove rehabilitation; for example, communities may not agree to ceding their land for rehabilitation. Unresolved land tenure issues could impact blue carbon activities, in particular the development of a benefit sharing plan. In addition, any reduction in mangrove restoration and protection targets during project implementation would, in turn, lead to a reduction in the amount of emission reductions available for carbon finance.

Risk Factor	Likelihood	Impact	Risk response	Residual risks	Background to assessment
<b>Technical Design of M4CR:</b> Complex land-tenure and land-use issues where mangrove ecosystems have been converted for alternate use need to be resolved as a condition for success of mangrove management, carbon emission reductions, and benefit-sharing arrangements.	Likely	Significant	In-depth assessment of Rehabilitation areas and consultations with local communities should be conducted prior to on-the-ground activities to ensure adequate community support and that proper Rehabilitation techniques are adopted. Ensuring rehabilitated areas are not further degraded after Rehabilitation will require continued support from local communities and government, which in turn require the proposed livelihood and management activities to be implemented in a timely manner. These risks will be mitigated through the adoption of Mangrove Rehabilitation Guidelines based on best practices as part of the Project Operations Manual, and through sustained engagement of local actors, frequent engagement with local governments, and partnerships with local nongovernmental organizations (NGOs) for implementation. The World Bank's use of Performance-Based Conditions whose loan disbursements are conditional on successful rehabilitation establishment will also mitigate the risk.	Risk substantially reduced through mitigation measures. Residual risk remains due to general complexity of land tenure issues.	Mangrove Rehabilitation requires strict sequencing of activities for success which directly impacts the volume of blue carbon emission reductions and the sharing of benefits from carbon finance..
The suitability of Rehabilitation areas and final determination of target areas will only be known during project implementation, with the implication that project targets including the volume of blue carbon	Likely	Major	The World Bank will mitigate this by ensuring the POM is strictly followed during implementation. As results-based disbursements (via PBCs) are a new modality for the implementing agencies, there is a risk that it is not well understood, leading to reallocation or canceling of financing if results are not delivered as defined. There will need to be clear communication	Risk substantially reduced through mitigation measures.	From a Danish viewpoint you can argue that the volume of carbon credits is not the main focus for the Danish financing. The focus is to have a framework ready for blue carbon payments.

<p>emission reductions – will have to be reviewed will have to be reviewed midway. This is particularly true as land tenure conditions on the field may not be conducive to mangrove rehabilitation; for example, communities may not agree to ceding their land for rehabilitation.</p>			<p>on the conditions of the instrument from the outset.</p>		
<p><b>Environmental and Social.</b> The nature of these risks relate to specific activities to be undertaken, and include, among others, alteration of the water hydrology cycle at some; presence of herbicides and pesticides; waste handling and disposal; health and safety of local workers and community members; work in sensitive and/or protected habitats; protection of marine and terrestrial biodiversity; and ecosystem services and sustainable management of living natural resources. Social risks include opportunity costs from current land use, presence of illegal land use in national protected areas, need for compensation, lack of availability of commensurate livelihood alternatives, access to future benefits from mangrove Rehabilitation, distrust of government, and difficulty in community access to benefits from carbon finance.</p>	<p>Likely</p>	<p>Significant</p>	<p>Environmental risks relate to implementation/construction stage, are of temporary nature and can be managed by use of widely known standard mitigation and prevention techniques and practices.</p> <p>As mitigation, the Borrower will prepare risk management instruments (Environmental and Social Management Framework [ESMF], Process Framework, Resettlement Policy Framework, and Indigenous Peoples Planning Framework [IPPF]). Screening of areas to be rehabilitated will include land tenure criteria, and activities are expected to be conducted on “clean and clear” land.</p>	<p>Risks substantially reduced through mitigation measures.</p>	<p>The World Bank conducted a detailed assessment of the environmental and social risks.</p>



### **Institutional risk**

For sub-component 1.4 of the M4CR late in the project development process the implementing partner was changed from MoEF to CMMAI. The mandates and responsibilities of the two ministries thus still need to be clarified in detail. This uncertainty could potentially create challenges regarding the collaboration between CMMAI, MoEF at national and local level.

Based on the risks presented, World Bank technical assistance and close implementation support will be critical to the project’s success. Also to mitigate institutional risk, Denmark will through the SC and other cooperation with CMMAI address issue of coordination and implementation, and if need be consult with WB on how to mitigate.

<b>Risk Factor</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk response</b>	<b>Residual risks</b>	<b>Background to assessment</b>
The mandates and responsibilities of the two implementing agencies CMMAI and MoEF are yet to be clarified in detail. This uncertainty will potentially create challenges regarding the collaboration and conflicts between CMMAI, MoEF at local and national level.	Likely	Significant	The World Bank task team will closely follow activity implementation on the ground and seek Bank Management engagement in the event discussions with high-level GoI officials are needed. Also mitigation measures include ongoing Technical Assistance program, supporting the GoI in hiring staff familiar with mangrove restoration programs and frequent implementation support missions to ensure close monitoring of project preparation and implementation.	Risk reduced but also relies on the acceptance of MoEF that CMMAI is implementing sub-component 1.4. Also, CMMAI has shown commitment and ownership to M4CR and blue carbon which is expected to further the progress and willingness to cooperate between the ministries. The Danish embassy will through SC encourage dialogue between partners. Also working together with MoEF in the SSC-program will use contacts to promote good cooperation between ministries.	The role as implementing partner of sub-component 1.4 was –by the wish of CMMAI - changed to CMMAI late in the development of the project. CMMAI is usually only a coordinating ministry so does not have experience in implementing activities. Also CMMAI will only be implementing sub-component 1.4 and other parts of component 1 will be implemented by MoEF leading to need for close coordination. MoEF is responsible for the NDC and therefore it is closely connected to the blue carbon agenda.
<b>Institutional Capacity.</b> CMMAI is a new implementing agency with limited experience managing funds directly and the other implementing agencies (MoEF and BRGM) have limited experience with Bank-financed projects, which means inadequate capacity, particularly at the provincial level.	High/Almost certain	Significant	Mitigation measures will include: (i) dedicated technical assistance and capacity building to MoEF, BRGM and CMMAI, including ongoing technical assistance under the SLMP; (ii) support to the GoI in hiring staff familiar with World Bank-financed projects, (iii) frequent trainings of the PIUs, and (iv) frequent implementation support missions.	This risk is expected to remain high at least in the first year of implementation. Risk will lower throughout implementation. The implementation period has also been extended so activities of the OMDTF instead of being finalized by 2025 will be finalized in 2027 to give more time for implementation, hiring of people, etc.	CMMAI is a coordinating ministry and thus not usually acting as an implementing agent. CMMAI realized relatively late in the process that they wanted to implement sub-component 1.4. of the project. CMMAI is a strong ministry and very committed to the mangrove agenda and also they are responsible for maritime affairs and have thus close connections to the fisheries ministry which is also involved in M4CR. However, the previous negotiations on the blue carbon component have been with MoEF, so they are more knowledgeable on this part of the project.
The mandate of BRGM, a PIU, will end in 2024 and transfer of	Likely		During the first year of the project, the MoEF will prepare a strategy detailing how this	Risk substantially reduced through mitigation measures.	Based on previous experiences from Danish-supported World Bank projects, government restructuring might cause delays

BRGM's functions under this project to the Ministry of Environment and Forestry (MoEF), which may disrupt implementation.			transfer will be handled to ensure MoEF PIU's effective and continuous implementation of activities. Several measures will be taken to ensure a smooth transition, including continuous policy dialogue and a legal covenant requiring an Exit Strategy and the enactment of necessary regulations and procedures for the transfer of BRGM activities to MoEF		in the programme. However, this risk does not directly affect Subcomponent 1.4 where the Danish contribution is mostly assigned for the Blue Carbon Program Development.
Fiduciary. The implementing agencies, MoEF, CMAI and BRGM do not have experiences in carrying out procurement activities using the Bank's Procurement Regulations as well as Systematic Tracking of Exchanges in Procurement (STEP) system and have limited financial management experience, which might cause delays during implementation.	Likely	Major	These risks will be mitigated through early and regular training to the Project Management Office (PMO) and PIUs and hiring of independent experts to sit within the PMO and PIUs, in addition to frequent, close supervision in the field.	Risk substantially reduced through mitigation measures.	MoEF, CMAI and BRGM have limited experience with Bank Procedures.
Financial management risk related to the absence of an adequate regulatory system to support the budgeting and fund flow under the proposed implementation arrangement.	Likely	Substantial	A Minister of Finance regulation will be developed to regulate the budgeting and fund flow arrangement from the government's treasury account to the Indonesia Environmental Fund (IEF), then from the IEF to the PIUs. Project Operations Manual (POM) will also be developed subject to The World Bank's approval.	Risk substantially reduced through regulation which will provide the legal basis for budgeting and fund flow arrangements, and POM which will detail procedures.	As there is currently no regulation it will have to be developed. Adding to the risk level is that experience regulatory processes can be delay or disrupted.

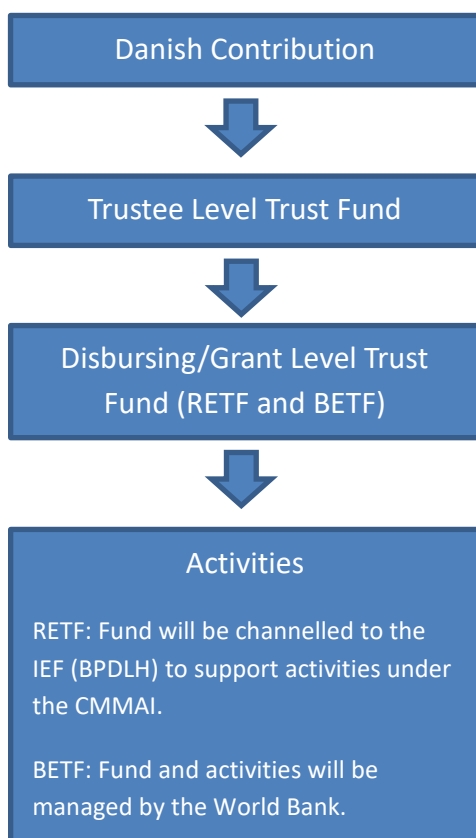
## ANNEX 5: Budget

M4CR will be financed through Investment Project Financing (IPF) in loan and grant resources. US\$ 100 million of International Bank for Reconstruction and Development (IBRD) financing is expected to be disbursed against Performance-Based Conditions (PBCs), US\$ 300 million as IBRD financing, US\$ 15 million in grants from the SLMP MDTF, and US\$ 4 million in grants from the OMDTF. The Sustainable Landscape Management Program Multi-Donor Trust Fund (SLMP MDTF) is expected to finance Subcomponents 1.1, 1.2, and 1.3, in line with its goal of supporting improved landscape management, while the Danish contribution will be channelled through Oceans MDTF and is expected to finance Subcomponent 1.4 "Facilitating Payments for Blue Carbon" under Component 1 "Strengthening Policy and Institutions for Mangrove Management" in the M4CR, in line with its goal of promoting innovations in blue finance. The total Danish support constitutes DKK 35 million (approx. US\$ 5 million), contributes to Subcomponent 1.4 (DKK 28 million/USD 4 million, indicated as "RETF"), and a support to the functionality of the National Mangrove Working Group (POKJA mangrove) and communication and readiness to access blue carbon finance, through the Bank-Executed Trust Fund "BETF" in the OMDTF.

The Indonesia Oceans, Marine Debris, and Coastal Resources Multi-Donor Trust Fund is scheduled to close in November 2025, while the M4CR Project is scheduled to close in approximately March 2027 (five years after approval by the World Bank's Board of Executive Directors). If additional funds are needed to support blue carbon efforts after November 2025, the World Bank will explore other sources of funding such as reallocating uncommitted project funds within the overall project budget, identifying counterpart financing from GoI, etc.

The budget flow of Indonesia Oceans, Marine Debris, and Coastal Resources Multi-Donor Trust Fund is started from the World Bank received funds from Danish and recorded in the trustee level trust fund. Based on the agreed proposal with Danish, the World Bank will set up a disbursing/grant level trust fund or top-up fund to existing disbursing/grant level trust fund. Fund from trustee level will flow to disbursing/grant level trust fund and then to finance activities. Please see diagram below.

## The Budget Flow Chart



The World Bank fiscal year covers a period from July to June (following year). The result framework and financial report will be presented on the basis of the World Bank fiscal year.

## Indicative Budget Detail

Description	TOTAL Danish Contribution (DKK)
<b>Output 1: Develop Blue Carbon Program for Project Area</b>	
1.1. Technical Assistance to identify the existence of a reference emissions level (REL) for the program area (including measurements, baseline report, capacity building) <b>(RETF)</b>	4,270,000.00
1.2. Technical Assistance to identify the existence of a framework to monitor and report on mangrove cover change (including strategy, field equipment, measurements, reporting, integration of blue carbon into MRV mechanism and registry, capacity building) <b>(RETF)</b>	8,470,000.00
1.3. Technical Assistance for the existence of a benefit sharing mechanism for a blue carbon program (including consultations, development of benefit sharing plan, capacity building) <b>(RETF)</b>	4,970,000.00

Description	TOTAL Danish Contribution (DKK)
1.4. Technical Assistance to develop a program design document in accordance with an internationally recognized standard (e.g., Verra) (including analysis, policy/regulatory framework, identification of potential buyers, cost benefit analysis, third party verification, capacity building, etc.) <b>(RETF)</b>	10,290,000.00
1.5. Technical assistance support on blue carbon studies/analytics for readiness to access blue carbon finance from mangrove ecosystems <b>(BETF)</b>	1,400,000.00
1.6. Technical assistance and investment financing to governments in building mangrove and coastal resilience <b>(BETF)</b>	700,000.00
1.7. RETF activities supervision <b>(BETF)</b>	1,050,000.00
<b>SUB-TOTAL of OUTPUT 1</b>	<b>31,150,000.00</b>

Description	TOTAL Danish Contribution (DKK)
<b>Output 2. Strengthen the functionality of the mangrove thematic working group (POKJA Mangrove)</b>	
2.1. Technical assistance to support and strengthen the functionality of the mangrove thematic working group (POKJA Mangrove) <b>(BETF)</b>	700,000.00
<b>SUB-TOTAL of OUTPUT 2</b>	<b>700,000.00</b>

Description	TOTAL Danish Contribution (DKK)
<b>Output 3. Improved communication and public outreach for the Indonesia mangroves for coastal resilience project</b>	
3.1. Technical assistance to support communications and public outreach strategies for mangrove for coastal resilience project <b>(BETF)</b>	700,000.00
<b>SUB-TOTAL of OUTPUT 3</b>	<b>700,000.00</b>

Description	TOTAL Danish Contribution (DKK)
Admin Fee	1,400,000.00
Trust Fund Administration and Management activity (BETF)	1,050,000.00
<b>SUB-TOTAL of NON-OUTPUT</b>	<b>2,450,000.00</b>

<b>GRAND TOTAL</b>	<b>35,000,000.00</b>
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The above Danish support is part of the overall M4CR project, where the Output 1 (Develop Blue Carbon Program for Project Area) labelled "RETF" (DKK 28 million) of the Danish support contributes to Subcomponent 1.4 Facilitating Payments for Blue Carbon (USD 4 million/DKK 28 million) below.

Table 1. Indicative Overall M4CR Project Structure

Component		Institution	Loan, US\$M	Grant, US\$M
C1	Strengthening Policy and Institutions for Mangrove Management	MoEF and CMAI		19.0
1.1	Strengthening Policy, Governance, and Coordination	MoEF		4.0
1.2	Improving and Updating the National Mangrove Map	MoEF		7.0
1.3	Registration and Monitoring of Mangrove Rehabilitation and Sustainable Landscape Management	MoEF		4.0
1.4	Facilitating Payments for Blue Carbon	CMAI		4.0
C2	Rehabilitating and Promoting Sustainable Mangrove Landscape Management	BRGM/MoEF	300.0	
2.1	Mangrove Rehabilitation	BRGM/MoEF		
2.2	Sustainable Mangrove Landscape Management	BRGM/MoEF		
C3	Improving Livelihood Opportunities for Mangrove Communities	BRGM/MoEF	80.0	

Component		Institution	Loan, US\$M	Grant, US\$M
3.1	Promoting Alternative Livelihoods	BRGM/MoEF		
3.2	Coastal Enterprise Development	BRGM/MoEF		
C4	Project Management		20.0	
TOTAL			400.0	19.0

## ANNEX 6 – LIST OF SUPPLEMENTARY MATERIALS

#	Document / Material	Source
1	Concept note World Bank	World Bank
2	Project Document Appraisal World Bank 29.1.2022	World Bank
3	Formal request for loan for mangroves	KLHK
4	Environmental and Social Management Framework (ESMF) (English version)	KLHK
5	SEP Mangroves for Coastal Resilience (English version)	KLHK
6		
7		
8		
9		
10		



## ANNEX 7: Plan of Communication of Results

To further promote the program and establish program sustainability, the Embassy/MFA and The World Bank have outlined a plan of communication of results. The World Bank and the Embassy/MFA will collaborate on communication of results through numerous methods, bringing different key messages to various stakeholders.

In general, the Communication Plan has below purposes:

- Support and promote the implementation of the program
- Share results and lessons learnt for future reference or other projects
- Strengthen engagement and maintain commitment from program stakeholders
- Inspire, grow interest and awareness from general public
- Reach out for possible other relevant engagements
- Gauge possible support, material or non-material, from other donors, NGOs, private sector, or other important stakeholders
- Create program sustainability
- Provide institutional knowledge within related stakeholders
- Show public accountability (Danish taxpayers)
- Meet transparency requirements

### Plan of Communication of Results

Channels	Activities	Objectives
Official meetings	<ul style="list-style-type: none"><li>- Launch event with Danish Minister for Development, World Bank, and Government of Indonesia in the beginning of the project.</li><li>- Embassy or MFA visit to mangrove project sites and meeting local government and stakeholders.</li></ul>	The main objective is to highlight commitments between high-level officials. Target audience is decision makers in the government.
<b>International fora</b>	<ul style="list-style-type: none"><li>- Inclusion in side events or communication kits around the time of international climate meetings, such as UNFCCC, by MFA, World Bank, and GoI.</li></ul>	The main objective is to further promote global awareness and organize information sharing of the blue economy. Target audience is decision makers from international forums.
Public events	<ul style="list-style-type: none"><li>- Embassy/MFA participation in World Bank events and seminars from the M4CR project</li><li>- Attending other external events relevant to the project.</li></ul>	The main objective is to support the implementation of the program.

		Target audience is decision makers and other influencers.
Newspapers	<ul style="list-style-type: none"> <li>- Op-eds in Indonesian, Danish and other (e.g. regional) media from MFA or Embassy</li> <li>- Press engagement during relevant occasions</li> <li>- Sharing of published articles with other relevant channels or newsletters.</li> </ul>	<p>The main objective is to disseminate key messages and results to wider audience.</p> <p>Target audience is general public.</p>
Social media	<ul style="list-style-type: none"> <li>- Social media posts about activities, results, key messages, through MFA, Embassy, World Bank, and Indonesian Ministries channel.</li> <li>- Tweets from public actors such as Danish and Indonesian Minister(s), World Bank officials, during key events.</li> <li>- Endorsing posts between Embassy, World Bank, partners and vice versa.</li> </ul>	<p>The main objective is to grow mangrove awareness in the public and. Target audience is general public.</p>
MFA internal	<ul style="list-style-type: none"> <li>- Internal posts through the MFA channel during relevant occasions</li> <li>- Embassy reporting through internal MFA system, sharing of project reports in Open Aid.</li> </ul>	<p>The main objective is to provide institutional knowledge within the MFA and provide transparency reports.</p> <p>Target audience is MFA staff and public with interest in the project (Open Aid)</p>
Meetings and dialogues	<ul style="list-style-type: none"> <li>- Dialogues with stakeholders, including with World Bank partners, NGOs and relevant private sectors, including from Denmark.</li> <li>- Donor coordination meetings.</li> </ul>	<p>The main objective is sharing of information and lessons learnt, seeking possible advice and interest.</p> <p>Target audience is interested public, NGOs, companies, other donors.</p>
Multimedia	<ul style="list-style-type: none"> <li>- Production of high-quality photos and videos from the programme results</li> <li>- Production of printed or digital graphics/leaflets for social media</li> </ul>	<p>The main objective is to tell the impact in an interesting visual story.</p> <p>Target audience is general public and stakeholders.</p>
Reporting	<ul style="list-style-type: none"> <li>- Project report from M4CR.</li> </ul>	<p>The main objective is to communicate status and results among the stakeholders in the project.</p> <p>Target audience is World bank, MFA and other stakeholders in the project.</p>

Other reports	<ul style="list-style-type: none"><li>- Inclusion of key results in other reporting channels (e.g. EU reports, ASEAN, Denmark-Indonesia Plan of Action)</li><li>- Inclusion of key results in the Government of Indonesia's agenda (e.g. Mangrove rehabilitation plan)</li></ul>	The main objective is to communication of the project in relation to other reportings. Target audience is public and government bodies.
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## Annex 8: Project Action Plan

Action/product	Responsible	Deadlines	Status
Project identification for Finance Bill 2022		April 2021	✓
Filling out program documents	WB	End of December	✓
Find extern consultant for project appraisal	Emb	End of December	✓
Adjustment of project document so it includes Danish context	Emb	7 February (14 pm JKT time)	✓
Appraisal by consultant	Consultant	21 February	✓
Incorporate recommendations from appraisal into programme documentation	WB/Emb	28 February	Pending
Approval	Ambassador	3 March	Pending
Adjustment on basis of comments from Ambassador	Emb	8 March	Pending
Approval by deputy director	MFA	14 March	Pending

# **Appraisal Report**

**A Danish contribution to the World Bank's Indonesia Mangroves for Coastal Resilience Project (M4CR).**

**22 February 2022**

**Final version**

**Danish Ministry of Foreign Affairs  
File No. 2022 - 1017**

## Abbreviations

AFOLU	Agriculture, Forest and Other Land Use
BPK	Supreme Audit Institution, <i>Badan Pemeriksa Keuangan</i>
BPKP	Finance and Development Supervision Agency, <i>Badan Pengawasan Keuangan dan Pembangunan</i>
BRGM	Peatland and Mangrove Restoration Agency, <i>Badan Restorasi Gambut dan Rehabilitasi Mangrove</i>
CSO	Civil society organization
DMPM	Mangrove Stewardship Village, <i>Desa Mandiri Peduli Mangrove</i>
GHG	greenhouse gas
GoI	Government of Indonesia
KKMD	Provincial-level Mangrove Rehabilitation Teams, <i>Kelompok Kerja Mangrove Daerah</i>
IEF	Indonesia Environmental Fund
LKPP	National Public Procurement Agency, <i>Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah</i>
M4CR	Mangroves for Coastal Resilience Project
M&E	Monitoring and Evaluation
MDTF	Multi-Donor Trust Fund
MMAF	Ministry of Maritime Affairs and Fisheries
MoEF	Ministry of Environment and Forestry
MoF	Ministry of Finance
MRV	Measurement, Reporting and Verification
NDC	Nationally Determined Contribution
NGO	Non-governmental Organization
PBCs	Performance-Based Conditions
PDASRH	Watershed Management and Forest Rehabilitation, <i>Pengelolaan Daerah Aliran Sungai dan Rehabilitasi Lahan</i>
PDO	Project Development Objective
PIU	Project Implementation Unit
PKPD	Inland Water Damage Control, <i>Pengendalian Kerusakan Perairan Darat</i>
PMN	National Mangrove Map, <i>Peta Mangrove Nasional</i>
PMO	Project Management Office
POKJA KKMN	National Mangrove Working Group, <i>Kelompok Kerja Mangrove Nasional</i>
POM	Project Operations Manual

PPIUs	Provincial Project Implementation Units
PPSD	Project Procurement Strategy for Development
RKUN	State Treasury, <i>Rekening Kas Umum Negara</i>
RTRW	Provincial or District Spatial Plans, <i>Rencana Tata Ruang Wilayah</i>
SLMP	Sustainable Landscape Management Program
tCO <sub>2</sub>	tons of carbon dioxide
TOR	Terms of Reference

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## 1. Introduction

This Appraisal Report (AR) assesses the draft Project Document (PD) for the planned Danish contributions to the World Bank’s Indonesia Mangroves for Coastal Resilience Project (M4CR).

The Danish Government has through the Danish Finance Act 2022 under the Climate Envelope, decided to provide DKK 35 million to support protection and rehabilitation of mangroves in Indonesia. The M4CR project focuses on strengthening coastal management through mangrove rehabilitation and sustainable mangrove landscape management, while improving the livelihoods of coastal communities. Denmark will support Component 1: “Strengthened policy and institutional framework for mangrove management”, specifically sub-component 1.4 on “Facilitating Payments for Blue Carbon”. This sub-component will support Indonesia’s readiness to access finance for blue carbon, i.e., carbon stored in coastal and marine ecosystems.

The M4CR project contributes to key Government of Indonesia (GoI) priorities, e.g. on mangrove management, climate change, and the COVID-19 green recovery. It aims to finance active rehabilitation of 75,000 ha of degraded mangrove areas and promote conservation within mangrove forest landscapes covering 400,000 ha. It will thus contribute to the broader, national Indonesian mangrove restoration goal of 600,000 hectares in the next five years, including by promoting cash-for-work for labor-intensive coastal activities (mangrove restoration and management, monitoring, and conservation) and business opportunities.

The M4CR project supports several Sustainable Development Goals (SDGs) in an integrated way, including SDG1 on “No Poverty”, SDG5 on “Gender Equality”, SDG13 on “Climate Action”, SDG14 on “Life Below Water” and SDG15 on “Life on Land”.

The Danish support is seen in continuation of the previous Danish support to Indonesia, in particular the Environmental Support Program (ESP), and to the current strategic sector cooperation in the energy, environment and food area.

This Appraisal Report reviews the draft Project Document (PD), based on the requirements in the Danida Aid Management Guidelines (AMG). It assesses the relevance, quality and feasibility of the programme design and documentation and if they are fit to underpin programme implementation and produce the expected results in an effective, efficient and sustainable manner. Finally, the report present recommendations for adjustments or improvements of the PD before submission for approval to the MFA under-secretary for development policy.

Based on its assessment of the project documentation and its meetings with the Danish Embassy in Indonesia and the World Bank Indonesia Team, the Appraisal Team (AT) made several recommendations, highlighted in the main text of the appraisal report with bold font and summarised in Chapter 2 and Annex 1. Provided these adjustments are made, the overall

conclusion of the appraisal is positive, and the Appraisal Team (AT) can recommend the project for funding provided.

The AT comprised of Tobias von Platen-Hallermund from the Danish Ministry of Foreign Affairs (MFA), and Rene Karottki, external consultant to MFA.

## 2. Overview of Recommendations

R1	The Project Document should explain how the situation, with the Danish grant being approved by Denmark before the M4CR project is formally approved by the WB, will be addressed
R2	Edit the Project Document to become shorter and more focused. Align the annexes to the AMG.
R3	In the Steering Committee, Denmark should pay attention to the involvement of the target communities in planning and implementation, and how they benefit from the project.
R4	In the Steering Committee, Denmark should pay attention to the impact assessments, how the local ownership is mobilized in the M4CR project, and the sustainability of the institutional capacity developed by the M4CR project.
R5	Limit the text on the objectives to a general introduction to the overall M4CR
R6	The ToC chart and narrative text in the PD should focus on and provide more details on the Danish contribution.
R7	The Project Document should include more information on the participants, frequency and agenda for the donor coordination meetings.
R8	The Project Document should clarify the role of ‘Trustees’ and the Project Implementation Units (PIUs) at different levels
R9	Denmark should take a pro-active role in the Steering Committee (and possibly the Technical Committee), including with a focus on sustainability. The Project Document should include a short description of the envisaged Danish role and priorities in the committees. This includes the suggestions mentioned in Recommendations 3 and 4.
R10	The budget presented in Project Document should focus on the Danish contribution. Information of the overall M4CR budget should be moved to Annex 5.
R11	The text on risk management should be re-drafted and focus on risks that are particularly relevant for the Danish contribution. Annex 4 should be revised to incorporate the comments presented above
R12	Global climate change meetings should be included in the communication plan.

### 3. The proposed support

#### 3.1 The project formulation process and lessons learned

The Indonesian office of World Bank was requested by the Government of Indonesia (GoI) to support in its efforts to implement the National Mangrove Program. Following this, the proposal for M4CR project was prepared by WB in close cooperation with GoI. Representatives from the Danish embassy in Jakarta were involved in meetings during the preparation process, with a particular focus on the envisaged Danish support to blue carbon (M4CR component 1.4).

The PD provides information on how the project builds on lessons learned. This includes from WB engagements in Indonesia and globally, e.g. on building coastal resilience, mangrove management and livelihood promotion, as well as from the Danish funded Environmental Support Program (ESP), which addressed M4CR related areas such as environment, energy, forest conservation and climate challenges.

The AT found that the formulation process was well conducted, with an open dialogue and cooperation between WB and the Danish Embassy on the design of the Danish contribution. It also found that the background analysis included in the WB PAD and reflected in the Danish PD is rather thorough and comprehensive. However, it is not clear to what extent dialogue with the donors to Sustainable Landscape Management Program Multi Donor Trust Fund (SLMP MDTF), Australia and Norway, has taken place.

The AT noted that the M4CR project is not yet formally approved by the WB decision making body, and that the final decision is scheduled for April 2022. This is after the anticipated approval of the Danish grant. The AT found that PD should explain this situation, including the related risks for Denmark, and how it will be resolved.

**R1. The Project Document should explain how the situation, with the Danish grant being approved by Denmark before the M4CR project is formally approved by the WB, will be addressed.**

#### 2.2 Linkages to Danish policy priorities and other Danish funded activities

The project in line with the Denmark's Strategy for Development Cooperation, which specifically highlights promoting nature-based solutions and ensuring sustainable management and use of ecosystems, as well as the Danish long-term Global Climate Action Strategy, which includes promoting synergies between climate, environment and biodiversity.

The AT noted that the project includes interesting innovative elements. Among these are payments for 'blue carbon' creating an enabling framework for a much wider mobilization of carbon finance in Indonesia, and the integration into one project, which addresses poverty, climate adaptation, climate mitigation and biodiversity at the same time. The AT found that these elements can produce useful learning for Danida, including for future programming.

The AT noted that Indonesia is included in the current OECD DAC list of ODA eligible countries, among ‘Lower Middle-Income Countries’ and that the M4CR project contributes to key Danish priorities on poverty and gender.

The coastal communities that are in focus of the M4CR project, belong to the most vulnerable in Indonesia and face poverty rates that are higher than the national average, as well as multiple threats to their livelihoods.

The M4CR project incorporates gender assessment, sensitization and action planning, and will support activities to improve women’s access to opportunities, their ability to start up and/or expand enterprises, and their representation in mangrove resource management bodies.

The AT noted that the PD provides additional information on transparency, participation, gender and youth in Annex 1.

### 3.3 The Project Document (PD)

The AT found that the draft PD generally complies with the AMG formats and guidelines and includes most of the required and relevant information. However, during its review of the PD the AT found that the quality of the document, and its readability, would improve if the main PD text was edited to become shorter and more focused, while referring useful details to the annexes. The AT suggests that the PD should be reduced to app. 20 pages, excluding annexes. The appraisal report provides some suggestions for edits. The AT noted that some mandatory annexes are not fully compliant with the AMG.

**R2: Edit the Project Document to become shorter and more focused. Align the annexes to the AMG.**

## 4. Project Assessment

### 4.1 Policy and strategic frameworks

The AT found that the policy context for the M4CR project is well described in the PD, highlighting the contributions it will make to key GoI priorities and its climate change agenda. This includes the 2020 strategy to accelerate action on mangrove rehabilitation, and the updated Nationally Determined Contribution (NDC) from 2021, particularly its Forest and Other Land Use (FOLU) net sink 2030 commitment. The project will also contribute to Indonesia's COVID-19 green recovery, e.g. by promoting cash-for-work in mangrove rehabilitation.

### 4.2 Justification

#### *Relevance*

As mentioned above, the M4CR project responds well to Indonesia’s needs and priorities. This includes the global commitments, e.g., to the SDGs and the Paris Agreement, the national policies and strategies, and the needs of citizens living in poor and vulnerable coastal

areas. The project can thus be expected to remain relevant in the future, at the national level, and in particular for the coastal citizens that can experience improvement in their life situation, climate resilience and productivity, and for the local private sector that can expand their businesses.

The AT found that to ensure and maintain the relevance of the project it should be implemented in a participatory way involving the targeted coastal communities and their organizations.

**R3: In the Steering Committee, Denmark should pay attention to the involvement of the target communities in planning and implementation, and how they benefit from the project.**

#### *Coherence*

The AT found that the M4CR project is coherent with and supportive to other interventions carried out by the Government of Indonesia. Furthermore, that there are good possibilities for synergies and interlinkages with other efforts in support of rural development, by the Government and its development partners. The project approach is coherent with international trends for addressing climate mitigation and adaptation, biodiversity and for supporting local business development.

#### *Effectiveness*

M4CR builds on the results and lessons learned in Indonesia (and globally) on issues related to mangrove management and livelihood promotion. This includes from Indonesia's engagement in climate change under the REDD+ framework and with the Forest Carbon Partnership Facility (FCPF), the World Bank portfolio and Denmark's cooperation with the Government of Indonesia to on environment and climate change since 2005.

On this basis, the AT finds that the M4CR holds a good chance to be effective and achieve its objective to enhance the management of mangroves and livelihoods of local communities.

#### *Efficiency*

The AT believes that the M4CR project can provide its anticipated results in an economic, cost-effective, and timely way, i.e. in transforming the financial and other inputs into the desired outputs, outcomes and impacts. M4CR will improve efficiency by addressing the currently fragmented and centralized mangrove governance that is a critical barrier to sustainable mangrove management in Indonesia. It will build capacity at the national, subnational, and village level to assess best-practice techniques to both increase the performance of mangrove rehabilitation and management. This will be further promoted by forums for cross-sectoral coordination, helping to solidify mandates and understanding across agencies, and the strengthening of long-term monitoring systems.

The Danish contribution will support the GoI in leveraging additional financial inputs from payments for "blue carbon", which can also be a source of finance in the medium to long term. Furthermore, efficiency is promoted through the World Bank management of the funds following international standards, including procurement rules and anti-corruption measures.

### *Impacts*

The AT believes that the impacts will be positive through improved life quality, job creation, climate resilience, reduction of emissions, reduction of erosion, biodiversity conservation, and positive environmental effects of mangrove ecosystems.

According to the PD a broader impact assessment to identify the social, environmental, and economic impacts from the programme will be done every second year. Beyond the immediate results, this should capture the indirect, secondary, and potential consequences of the intervention, e.g. the potential effects on people's well-being, human rights, job creation, gender equality, and the environment.

### *Sustainability*

Sustainability addresses the broader financial, economic, social, environmental, and institutional conditions that are necessary for the M4CR to sustain the outputs over the medium and long-term. The AT notes that the M4CR project addresses sustainability in several ways including by

- i. building and strengthening national, provincial and local systems and institutions to ensure continued mangrove management,
- ii. capacitating the Indonesia Environmental Fund (IEF) to manage climate finance, with a mangrove financing window which is expected to continue operating beyond the lifetime of the project, and by
- iii. building the financial capital and knowledge required to develop small business opportunities linked to improved mangrove management and the continued provision of the related ecosystem services, making it possible to maintain the businesses and better aligning economic interests toward conservation.

The AT found that sustainability to be well addressed in the PD. The AT believes that long term sustainability depends on local ownership, since in most cases results will not be sustained over time if they are not supported by local key stakeholders, correspond to a genuine local demand and generate tangible benefits to the final beneficiaries.

**R4: In the Steering Committee, Denmark should pay attention to the impact assessments, how the local ownership is mobilized in the M4CR project, and the sustainability of the institutional capacity developed by the M4CR project.**

## 4.3 Objectives, theory of change and results framework

### *Objectives*

The overall M4CR project objectives are (as presented in PD chapter 3) to enhance the management of mangroves and the livelihoods of local communities in selected areas.

The specific objective for the Danish contribution (targeting M4CR component 1.4) is to support Indonesia's readiness to access blue carbon finance, and the related technical assistance, analytical work and communication.



The AT found the objectives to be relevant, and that the Danish contribution fits well into the overall M4CR project context. However, the AT found the text in Ch 3 to be rather long and providing a level of detail on the overall M4CR project that may not be necessary. The AT suggests limiting the text on the overall project and just include a summary, and focus mainly on the specific objectives, outcomes and actions supported by the Danish contribution. The text could also be shortened, e.g. by moving the readiness criteria to Ch 5 on the Results Framework

**R5: Limit the text on the objectives to a general introduction to the overall M4CR objectives and focus more on the Danish contribution.**

*Theory of Change (ToC)*

The ToC for the overall M4CR project is presented in PD Ch 4, including the ToC chart from the WB PAD. The AT notes that the diagram provides a consolidated picture of the M4CR project, and thus an overall context for the Danish contribution, but with a level of detail (and font size) that makes it not fully readable.

The AT suggest moving the overall diagram into Annex 3, and to extract the component 1.4 intervention logic (including activities, outputs and outcomes) from the ToC and present it in Ch 4 as chart of the ToC for the Danish contribution. This should include all three outputs, as they are presented in the budget.

PD Ch 4 provides a narrative on the sub-component 1.4 intervention logic, i.e. on how the DK contribution will make a change, and on the related most important assumptions and associated risks. The narrative text should reflect the three outputs. The risks mentioned here should be reflected in Ch 9 and Annex 4 on risk management.

**R6: The ToC chart and narrative text in the Project Document should focus on the Danish contribution.**

*Results Framework*

The Results Framework is presented in a table in PD Ch 5. The table is an extraction of the overall M4CR Results Framework. It focuses on the outcomes of M4CR Component 1, and specifically on the three outputs linked to the Danish contribution.

The AT noted that while the draft PD Ch 5 provides an overview of the Results Framework, some issues should be clarified: They include:

- Which other donors are contributing to Component 1
- Whether the 2 outputs on support to POKJA and to improved communication are outputs in their own right under Component 1, and how they can be identified in the ToC
- Whether the target years and the related indicators follow the time period of the Danish contribution.

With these clarifications the AT finds the Results Framework to be useful and will facilitate future monitoring and reporting on the Danish grant.

The AT notes that Annex 3 with details on the ToC, Scenario and Results Framework is missing. Annex 3 should be coherent with the information in Ch 5. and include further details on the overall M4CR project.

#### 4.4 Choice of partners and synergies with other stakeholders

An assessment of the key partners is included in PD Annex 2. The AT found that the choice of partners is well justified in the PD, and that the key partners are well connected to Denmark. However, Annex 2 does not contain the completed template for partner assessment including the matrix with summary of key partners features.

The World Bank is a well-known and trustworthy partner to Denmark and is managing several Danida grants in developing countries. The WB brings significant experience in providing technical assistance and investment financing to governments in building coastal resilience, as well as knowledge of global best practices in mangrove rehabilitation.

The Ministry of Environment and Forests (MoEF) who is the executing agency for the project was the focal point of the Danida Environmental Support Programs and is currently the counterpart for the Strategic Sector Cooperation in Environment. According to the PD, MoEF has been a reliable partner through the years, and Denmark has contacts and has built credibility within the ministry that will enhance future cooperation.

The PD notes that the National Mangrove Working Group (Pokja Mangrove) will lead regular donor coordination meetings, led by the Coordinating Ministry for Maritime Affairs and Investment, and supported by the M4CR project. These donor coordination meetings will enable development partners to share lessons learned and best practices, while avoiding overlap and duplication. However, the PD provides limited details on these meetings, and possible other fora for donor coordination.

**R7: The Project Document should include more information on the participants, frequency and agenda for the donor coordination meetings.**

#### 4.5 Programme management, reporting and monitoring

The institutional and management arrangements are presented in Ch 7 of the PD, including an organizational chart of the set-up.

The institutional and management arrangements for the Danish support are those of the Oceans MDTF, which is managed by the World Bank. The governance structure of the consists of the Trustees and Steering Committee.



The AT found no details in the PD of the ‘Trustees’ and how they relate to the members of the SC, and on the role of provincial and other project implementation units (PIUs) mentioned in the organizational chart and suggests that this should be clarified in Ch 7.

**R8: The Project Document should clarify the role of ‘Trustees’ and the Project Implementation Units (PIUs) at different levels.**

As a donor to the Trust Fund, Denmark is part of the Steering Committee (SC). Other representatives include senior-level representatives of the World Bank and the Government of Indonesia, drawn from key agencies involved in the sustainable management of Indonesia’s oceans, marine debris, and coastal resources. The SC is responsible for guiding overall strategic and policy priorities, facilitating coordination amongst major stakeholders, endorsing and reviewing the annual work program, and providing strategy and recommendations, and providing guidance on strategic problems and concerns that may arise.

In addition to the Steering Committee, there is a Technical Committee that meets at least once per year to review progress, discuss the annual work plan, and discuss other issues that may be required to advise the SC members.

The SC will meet at least once per year. The World Bank is responsible for preparation of the minutes of all SC meetings, in consultation with the Co-Chair, and for preparing the annual work plan for SC review and endorsement.

The AT suggests that Denmark should see the Steering Committee (and possibly the Technical Committee) as a key forum to monitor progress and raise issues of particular importance for Denmark, e.g. when it comes impacts on the national commitments and on the communities, the participation of the communities, synergies with other related activities by the GoI and Development Partners, and sustainability, in particular of the outputs delivered through the Danish contribution. The SC may also provide an opportunity to link up with Danish skills and knowhow from the private sector.

**R9: Denmark should take a pro-active role in the Steering Committee (and possibly the Technical Committee), including with a focus on sustainability. The Project Document should include a short description of the envisaged Danish role and priorities in the committees. This includes the suggestions mentioned in Recommendations 3 and 4.**

*Reporting*

The World Bank core team for the Oceans MDTF is responsible for producing annual progress reports to be submitted by April of each year, covering the previous calendar year. The AT noted that the annual progress reports will also cover the Danish contribution to the Oceans MDTF, i.e. to the M4CR, and make reference to the results framework agreed by the Bank and the Danish Embassy, as presented in PD Ch 5.

### *Monitoring*

The AT noted that the project will apply the existing monitoring and evaluation (M&E) systems used by the implementing agencies (IAs), and that the M4CR project will strengthen the IAs in these areas as required.

The Results Framework includes custom indicators as well as corporate requirement indicators on climate, gender, and citizen engagement.

The monitoring and supervision activities will be supported by the World Bank and through funds from the Oceans MDTF. The close supervision and technical assistance that the World Bank team will provide through these funds will help to mitigate project implementation risks.

The World Bank together with GoI will conduct full Implementation Support Missions (ISM) at least twice per year, and more often in the first two years of project implementation, including field visits to the targeted sites, complemented by several thematic supervision and technical missions. The missions will aim to review project progress, performance, and management issues, as well as provide feedback to improve the overall performance of the project.

The AT notes that the standard text on the right of Denmark to carry out supervision mission and evaluations is missing and should be included in Ch 7.

### 4.6 Budget, financial management and flow of funds

PD Chapter 6 presents the output level budget for the DKK 35 m Danish contribution to the M4CR project, with a breakdown of DKK 31,15 m to develop the blue carbon program (output 1), DKK 700,000 to strengthen the mangrove thematic working group (output 2), DKK 700,000 for improved communication and public outreach for the M4CR (output 3), and DKK 2,45 m for Administration and Management. The AT found the distribution of budget and outputs to be relevant and realistic to achieve the anticipated results.

The AT suggests that the budget presented in Ch 6 should remain at the output level, with the underlying details in Annex 5.

Furthermore, the AT found that:

- the language in the subsections of the budget table should be clarified. Sometimes it describes outputs, sometimes activities
- the expression in the budget table ‘foreign currency’ to be removed/explained
- the text from the AMG guidelines in the beginning of Ch 6 should be removed
- the details on the overall M4CR budget should be moved to Annex 5. This includes the table ‘Overall M4CR Project Structure’

**R10: The budget presented in Project Document should focus on the Danish contribution. Information of the overall M4CR budget should be moved to Annex 5.**

The Danish funds will be channeled through the World Bank's Indonesia Oceans, Marine Debris and Coastal Resources, Multi-Donor Trust Fund (Oceans MDTF), and will thus be managed in accordance with the World Bank's fiduciary standards. The World Bank is responsible for administrative aspects of fund management. Procurement for the proposed project will be carried out in accordance with the World Bank procurement regulations and anticorruption guidelines.

Financial management will mainly use the GoI's existing system which includes budgeting, accounting, reporting, internal control, and auditing. The M4CR project will help developing the capacity of the relevant government institutions in these areas.

The AT found that the proposed set-up with WB being responsible for management and administration will adhere to appropriate international standards. The WB administrative system and procedures are well known to Danida due to a long time of cooperation and can thus be expected to be in accordance with Danida requirements.

The AT found that it will add to the clarity if Ch 6 illustrates (e.g. in a diagram) how the funds from the Danish contribution flows from Denmark to the WB to the OMDTF to WB/GoI, whoever are responsible for the activities and for delivering the outputs.

#### 4.7 Risk management framework

The PD Ch 9 presents a narrative text on risks management. The AT found the current text to be incomplete. However, most of the relevant and detailed information can be found in Annex 4 on risk management including on contextual, programmatic and institutional risks, and could be applied in Ch 9.

The AT observed that many risks from the WB PAD listed in annex 4 are assessed as 'almost certain' and with major/significant risks and suggest that the annex should provide further background for these assessments.

The AT found that the text in Ch 9 should be restructured and completed to present the main contextual, programmatic and institutional risks, with a focus on risks that are particularly relevant to Denmark. Annex 4 should be revised to include more information on what role the Danish embassy can play in monitoring and mitigating risks. The annex should also include the following: i) more detailed and specific description of the residual risks; ii) background to the assessment for all risks; and iii) potential risks related to Covid-19.

**R11: The text on risk management in should be re-drafted and focus on risks that are particularly relevant for the Danish contribution. Annex 4 should be revised to incorporate the comments made in the Appraisal Report.**

#### 4.8 Communication and exit strategy

##### *Communication*

The communication plan presented in PD Annex 7 includes individual and joint efforts by WB, GoI and Denmark. It involves several target groups and channels, e.g. printed and

electronic media. The AT found that the plan provides a relevant tool to create broad awareness on the Danish supported component. Given that operationalization of the 'blue economy' concept and market is very relevant in the global climate change discussions, the AT suggest that the communication plan should be complemented with activities at international climate meetings, such as UNFCCC meetings, where WB, DK and GoI jointly can create awareness and organize information sharing on the 'blue economy'.

**R12: Global climate change meetings should be included in the communication plan.**

*Exit strategy*

As noted in section 3.2, sustainability is well addressed and integrated. This includes the Danish contribution that will help develop increased capacity in Indonesia to draw on blue carbon financing and institutionalize the systems necessary for current and future carbon payment that can be expected to continue well beyond the lifetime of the project.

However, the PD does not include information on the development of an exit strategy that outlines how structures, policies and partner activities on the 'blue economy' will be able to continue (and thus be sustainable) after the Danish support period, and when such exit strategy will be prepared.

**R13: Denmark should work (through the Steering Committee) to ensure that a sustainability and exit strategy is being developed e.g. after 2 years, including on the institutional and capacity issues related to blue carbon.**

## 4. ANNEXES

### Annex 1 Summary of recommendations of the appraisal

<b>Title of Programme/Project</b>	Danish support to the World Bank's Indonesia Mangroves for Coastal Resilience Project (M4CR).
<b>File number/F2 reference</b>	2022 - 1017
<b>Appraisal report date</b>	21.02.22
<b>Council for Development Policy meeting date</b>	-
<b>Overall conclusion of the appraisal</b>	
<p>The Appraisal Team (AT) found the project to be fully in line with the development cooperation priorities of the Danish Government including the long-term strategy for global climate action as well as the national goals of the Government of Indonesia (GoI). This includes the Sustainable Development Goals 13, 14 and 15 on climate change, life below water and life on land, the Paris Agreement on Climate Change, as well as Indonesia's strategies for climate change and mangrove rehabilitation.</p> <p>The Danish support to M4CR focuses on facilitating payments for 'blue carbon' and will add value by mobilizing additional financial resources to the communities. Payments for 'blue carbon' is new to Indonesia, and the Danish support will be innovative by creating an enabling framework for a much wider mobilization of carbon finance, including by producing carbon credits which can be purchased by Danish or international players.</p> <p>The AT believes that that the project can provide important learnings to Danida, e.g. on the blue carbon concept and on projects that address climate change mitigation and adaptation as well as biodiversity at the same time.</p> <p>The AT noted that several issues are still to be addressed in the Project Document (PD).</p> <p>The conclusion of the appraisal is that the project is recommended for funding. The AT recommends that the following issues are added, updated or completed in the final version of the PD.</p>	

Recommendations by the appraisal team	Follow up by the responsible unit
<p>The AT noted that the M4CR project is not yet formally approved by the WB decision making body.</p> <p><b>R1: The Project Document should explain how the situation with the Danish grant being approved by the Danish ambassador before the M4CR project is formally approved by the WB, will be addressed.</b></p>	<p>Chapter 1 now includes a description of the approval process.</p>
<p>AT found that the quality of the document., and its readability, would improve if the main PD text was edited to become shorter and more focused.</p> <p><b>R2: Edit the Project Document to become shorter and more focused. Align the annexes to the AMG.</b></p>	<p>Done.</p>
<p>The AT found that to ensure and maintain the relevance of the project it should be implemented in a participatory way involving the targeted coastal communities and their organizations.</p> <p><b>R3: In the Steering Committee, Denmark should pay attention to the involvement of the target communities in planning and implementation, and how they benefit from the project</b></p>	<p>This suggestion is now included in the Project Document, Chapter 7. Institutional and Management Arrangement:</p> <p>“In the Steering Committee, Denmark will pay attention to the involvement of the target communities in planning and implementation, and how they benefit from the project. At the SC, Denmark will be represented at an appropriate level by the Danish Embassy in Jakarta, and emphasis will be put on keenly following and proactively shaping the project in accordance with Danish priorities set in this document.”</p>
<p>The AT believes that long term sustainability depends on local ownership, since in most cases results will not be sustained over time if they are not supported by local key stakeholders.</p> <p><b>R4: In the Steering Committee, Denmark should pay attention to the impact assessments, how the local ownership is mobilized in the M4CR project, and the sustainability of the institutional capacity developed by the M4CR project.</b></p>	<p>See above.</p>

<p>The AT suggests limiting the text on the overall project objectives and focus mainly on the specific objectives, outcomes and actions supported by the Danish contribution.</p> <p><b>R5: Limit the text on the objectives to a general introduction to the overall M4CR objectives and focus more on the Danish contribution.</b></p>	<p>Done.</p>
<p>Project Document chapter on Theory of Change provides a narrative on how the DK contribution will make a change. The AT finds that the narrative text should reflect the three outputs, and the related most important assumptions and risks.</p> <p><b>R6: The ToC chart and narrative text in the PD should focus on and provide more details on the Danish contribution.</b></p>	<p>ToC chart been re-focused on Danish contribution. Narrative text on Danish contribution and impacts/significance of the different outputs included.</p> <p>Critical assumptions revised/trimmed to fit the Danish contribution objective.</p>
<p>The donor coordination meetings will enable development partners to share lessons learned and best practices, while avoiding overlap and duplication. However, the PD provides limited details on these meetings, and possible other fora for donor coordination.</p> <p><b>R7: The PD should include more information on the participants, frequency and agenda for the donor coordination meetings</b></p>	<p>The Danish Embassy have held a meeting with the two other donors involved in the other trustfund (SLMP MDTF) of the project (Australia and Norway), and have agreed to hold regular coordination meetings.</p> <p>As for donor coordination by POKJA Mangroves, the POKJA groups will be formed in the initial stages of the project and the set-up for donor coordination meetings will be decided later.</p>
<p>The AT found no details in the PD of the ‘Trustees’ and how they relate to the members of the SC, and on the role of provincial and other project implementation units (PIUs).</p> <p><b>R8: PD should clarify the role of ‘Trustees’ and the Project Implementation Units (PIUs) at different levels</b></p>	<p>The “Trustees” in the SC is World Bank, and World Bank have agreed to switch the term “Trustees” as ‘World Bank’. The term has been then adjusted accordingly.</p> <p>The term ‘trustee’ still shows at the funds flowchart, to illustrate the level of the trust fund, from trustee-level trust fund to disbursing-level trust fund.</p> <p>Text on PIUs have been added in Chapter 7.</p>



<p>The AT suggests that Denmark should see the Steering Committee (and possibly the Technical Committee) as a key forum to monitor progress and raise issues of particular importance for Denmark, e.g. on the sustainability of the outputs delivered through the Danish contribution.</p> <p><b>R9: Denmark should take a pro-active role in the Steering Committee (and possibly the Technical Committee), including with a focus on sustainability. The Project Document should include a short description of the envisaged Danish role and priorities in the committees. This includes the suggestions mentioned in Recommendations 3 and 4.</b></p>	<p>Denmarks role in the SC is described in Chapter 2.5 and in Chapter 7 including a short description of Danish priorities.</p> <p>A standard text that Denmark has the right to carry out supervision mission and evaluation has been reinstated in Chapter 7.</p>
<p>The AT suggests that the budget presented in Ch 6 should remain at the output level, with the underlying details in Annex 5.</p> <p><b>R10: The budget presented in Project Document should focus on the Danish contribution. Information of the overall M4CR budget should be moved to Annex 5.</b></p>	<p>This suggestion is now included in the Project Document.</p> <p>In the Project Document, the budget is now described in output-level.</p> <p>The details of the budget has been moved at Annex 5: Budget.</p> <p>The language in the subsection of the budget table is now described as activities.</p> <p>There ‘foreign currency’ has been replaced with ‘DKK’.</p> <p>The text from the AMG has been removed.</p>
<p>The AT found that the text in Ch 9 should be restructured and completed to present the main contextual, programmatic and institutional risks, with a focus on risks that are particularly relevant to Denmark. Annex 4 should be revised to include more information on what role the Danish embassy can play in monitoring and mitigating risks.</p> <p><b>R11: The text on risk management should be re-drafted and focus on risks that are particularly relevant for the Danish contribution. Annex 4 should be revised to incorporate the comments presented in the Appraisal Report.</b></p>	<p>Restructured and focusing on the main risks related to the Danish contribution, interlinked with the critical assumptions in ToC.</p> <p>Risks put in table and divided in contextual, programmatic and institutional risks. Short narrative text included.</p> <p>Annex 4 has been revised and included the Danish possibilities for monitoring and mitigating risks.</p>



<p>AT suggest that the communication plan should be complemented with activities at international climate meetings, such as UNFCCC meetings, where WB, DK and GoI jointly can create awareness and organize information sharing on the 'blue economy'.</p> <p><b>R12: Global climate change meetings should be included in the communication plan.</b></p>	<p>This suggestion is now included in the Annex 7: Communication Plan.</p> <p>“Inclusion in side events or communication kits around the time of international climate meetings, such as UNFCCC, by MFA, World Bank, and GoI. The main objective is to further promote global awareness and organize information sharing of the blue economy. Target audience is decision makers from international forums.”</p>
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I hereby confirm that the above-mentioned issues have been addressed properly as part of the appraisal and that the appraisal team has provided the recommendations stated above.

Signed in...Copenhagen..... on the ...February 22, 2022.....

*Tobias von Platen-Hallermund*

Appraisal Team leader/ELK representative

I hereby confirm that the responsible unit has undertaken the follow-up activities stated above. In cases where recommendations have not been accepted, reasons for this are given either in the table or in the notes enclosed.

Signed in.....on the.....

Head of Unit/Embassy

## Annex 2 Process Action Plan

Action/product	Responsible	Deadlines	Status
Project identification for Finance Bill 2022		April 2021	✓
Filling out program documents	WB	End of December	✓
Find extern consultant for project appraisal	Emb	End of December	✓
Adjustment of project document so it includes Danish context	Emb	7 February (14 pm JKT time)	✓
Appraisal by consultant	Consultant	21 February	✓
Incorporate recommendations from appraisal into programme documentation	WB/Emb	28 February	Pending
Approval	Ambassador	3 March	Pending
Adjustment on basis of comments from Ambassador	Emb	8 March	Pending
Approval by deputy director	MFA	14 March	Pending

## Annex 3 List of people met

### *Ministry of Foreign Affairs/ Embassy of Denmark*

- Julie Bülow Appelqvist
- Søren Bindsbøll
- Vremita Desectia Amretasari
- Lærke Due Sjøgren

### *World Bank Indonesia Team*

- Stephanie H. Tam
- Ambroise Brenier
- Daniel Seno Yusanto
- Dias Natasasmita
- Andre Rodrigues Aquino

## Annex 4 List of documents consulted

- Transparency International's Corruption Perceptions Index 2019, 2020 and 2021
- The Worldwide Governance Indicators (WGI) 2020
- WB Systematic Country Diagnostic Update for Indonesia 2020
- WB Indonesia Country Partnership Framework
- WB draft Project Appraisal Document (PAD) for the Indonesia Mangroves for Coastal Resilience Project
- WB Concept Note Indonesia Mangroves for Coastal Resilience Project