United Nations Development Programme
Country: Indonesia
Project Document

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Project Title	***Sustainable Palm Oil Initiative***
UNPDF Outcomes:	*Outcome 2 -Sustainable Livelihoods* *The socio-economic status of vulnerable groups and their access to decent work and productive sustainable livelihood opportunities are improved within a coherent policy framework of reduction of regional disparities* *Outcome 5 - Climate Change and Environment* *Strengthened climate change mitigation and adaptation and environmental sustainability measures in targeted vulnerable provinces, sectors and communities*
Expected Country Programme Outcomes 2011-2015:	1.1. *National and subnational authorities and stakeholders are more effective in reducing poverty and vulnerability, particularly in UNPDF provinces and districts* 2.1. *Responsible national institutions and relevant stakeholders are more effective in managing environmental resources and addressing environmental pollution.*
Expected CPAP Outputs 2011-2015:	2.1.1. *Government, private sector and CBO partners have coherent and effective policy frameworks, action plans, implementing arrangement and funding arrangement to sustainably manage terrestrial ecosystems.*
Implementing Partner:	*Ministry of Agriculture*
Responsible Parties:	UNDP Indonesia, *Ministry of Forestry, BAPPENAS, Provincial and District Governments, NGOs*

Brief Description

In order to facilitate sustainable palm oil production in Indonesia, the Ministry of Agriculture, UNDP and several global corporations have partnered to develop the Sustainable Palm Oil (SPO) initiative. The SPO initiative aims to improve the capacity of palm oil smallholders and conserve the environment through the Government of Indonesia's Sustainable Palm Oil (ISPO) system, a mandatory national sustainable palm oil certification scheme managed by the Ministry of Agriculture.

The Project is organized around five strategic components: (1) Strengthen smallholder ISPO certification processes focusing on good agricultural practices and environmental protection, 2) Strengthen ISPO to protect forests, enhance biodiversity conservation and mitigate and monitor GHG emissions, (3) Facilitate social responsibility, empowering related communities and mediation systems, (4) Reinforce ISPO framework and clarify ISPO standards for wider acceptance, and (5) Establish SPO platforms to ensure transparency in support of the SPO programme to promote sustainable palm oil.

The project compliments the existing Government plan on ISPO and its related activities for smallholders and plantations to promote sustainable palm oil production in Indonesia. In addition, this project will be carried out in collaboration with other line ministries such as, Ministry of Forestry, BAPPENAS, provincial and districts governments, producer and buyer companies, and CSOs. The total resources required for five years (2014-2018) is US$ 15,500,000. The Government is providing a parallel contribution amounting to US$100,000.

Country Programme Period:	2011-2015	**Total resources required**	**US $ 15,500,000**
Strategic Plan Output (2014-2017):			
Atlas Award ID:	_ 00082941_	• **Total allocated resources**	**US $ 600,000**
Project ID:	_ 00091615_	– Regular : (TRAC)	US $ 10,000
Start date:	September 2014	– Donor :	
End date:	December 31, 2018	o IKEA Supply AG	US $ 40,000
		o KRAFT	US $ 40,000
PAC Meeting Date:	July 10, 2014	o UN REDD	US $ 400,000
		o Thematic Trust Fund (TTF)	US $ 110,000
Management Arrangements:	NIM		
		• **Total Unfunded**	**US$ 14,900,000**
		Contribution (Parallel)	
		– Government	US $ 100,000

Agreed by Ministry of Agriculture

Date : 16/9/2014

Mr. Gamal Nasir **Director General of Estate**

Agreed by Ministry of Finance

Date: 12/9/2014

Mr. Robert Pakpahan **Director General of Debt Management**

Agreed by UNDP

Date: 9/9/2014

Ms. Beate Trankmann **Country Director, UNDP Indonesia**

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Acronyms

AMDAL	*Analisis Mengenai Dampak* Impact Assessment)
BAPPENAS	(National Planning and Development Agency)
BPKP	(Finance and Development Monitoring Agency)
CBO	Community-based Organizations
CCBA	Climate, Community and Biodiversity Alliance
CPAP	Country Programme Action Plan
CPO	Crude Palm Oil
CSOs	Civil Society Organizations
EU	European Union
FFB	Fresh Fruit Bunch
GAP	Good Agricultural Practices
GAPKI	Indonesian Palm Oil Association
GHG	Greenhouse Gas
GoI	Government of Indonesia
HCS	High Carbon Stock
HCV	High Conservation Value
HGU	*Hak Guna Usaha* (Right to Cultivate)
IFEU	Institute for Energy and Environment Research
IGCN	Indonesian Global Compact Network
ISCC	International Sustainability and Carbon Certificate
ISPO	Indonesian Sustainable Palm Oil
LUCF	Land-Use Change and Forestry
M&E	Monitoring and Evaluation
MoA	Ministry of Agriculture
MoE	Ministry of Environment
MoF	Ministry of Forestry
MOU	Memorandum of Understanding
NAMA	Nationally Appropriate Mitigation Action
NGO	Non-Government Organizations
NPD	National Project Director
NPM	National Project Manager
OER	Oil Extraction Rate
PB	Project Board
PGA	Participatory Governance Assessment
PMIG	Project Management Implementation Guideline
PMU	Project Management Unit
POME	Palm Oil Mill Effluent
RAN-GRK	*Rencana Aksi Nasional Penurunan emisi Gas Rumah Kaca* (National Action Plan for Greenhouse Gas Emission Reduction)
REDD+	Reducing Emissions from Deforestation and Forest Degradation
RSPO	Roundtable on Sustainable Palm Oil
SPKS	*Serikat Petani Kelapa Sawit* (Oil Palm Farmers Union)
SPO	Sustainable Palm Oil
TP3	Local Government Mediation Task Force
UKP4	(The President's Delivery Unit for Development Monitoring and Oversight)
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNPDF	United Nations Partnership for Development Framework
UN-REDD	United Nations Initiative on Reducing Emissions from Deforestation and Forest Degradation
WWF	World Wildlife Fund

Overview

The Ministry of Agriculture, UNDP and several multinational companies have partnered together to develop and implement the Sustainable Palm Oil (SPO) Initiative. SPO aims to promote the sustainable production and use of palm oil by assisting smallholders to produce palm oil sustainably and strengthening the Indonesia Sustainable Palm Oil (ISPO) system, while minimizing adverse environmental and social impacts. Multi-stakeholder SPO platforms will be established to facilitate information exchange and transparency.

Project coverage is national with three pilot provinces (South Sumatra, Riau, West Kalimantan)[1]. The project will continue discussions with stakeholders and potential donors during the prepatory phase, and depending on progress, project board decision, and confirmation of additional funds for the full project, this project document may be revised accordingly.

Background

Indonesia is the world's top palm oil producer with an estimated 23 million tons of Crude Palm Oil production in 2012. For the last decade, palm oil has been Indonesia's most significant agricultural export, and the area of cultivated land used for palm oil production has been expanding at an average annual rate of 300,000 hectares over the past 10 years. Due partly to its rapid growth, Indonesia's palm oil sector has faced various challenges in recent years, including allegations by NGOs that expansion of oil palm plantation is linked to deforestation and social conflicts.

First, there are allegations that vulnerable livelihoods, limited levels of expertise and organizational capacities of independent palm oil farmers prevent them from engaging in more environmentally sustainable farming practices and lead to vulnerable livelihoods. In addition to a lack of agricultural expertise, independent smallholders have limited access to capital to purchase fertilizers/tools. Independent smallholders are frequently deceived into buying cheaper sub-standard fraud/fake seeds resulting in poor levels of productivity. These constraints lead to lower productivity, and independent palm oil smallholders are therefore often compelled to further open up nearby forests and plant palm trees in the hope of generating income. Therefore empowering smallholders theoretically is assumed to reduce pressure on the environment as the farmers would be able to produce more from the same amount of land that they occupy.

Another issue with independent smallholders is a lack of official land titles, which means not having collateral for loans, thus leaving them vulnerable to land acquisition by other stakeholders. These productivity, access to finance and legal issues are aggravated by a lack of organizational capacity and cooperatives of smallholders. Well managed and legal smallholder organizations would facilitate access to capital necessary to purchase land, obtain titles, buy better agro-inputs, and also facilitate ISPO and other certification schemes such as RSPO.

[1]Subject to change by project steering committee

Second, palm oil is allegedly linked with the rapid deforestation and degradation of forests, which threaten endangered species and lead to an increase in greenhouse gas (GHG) emissions. With respect to deforestation and loss of biodiversity, the existing regulatory framework makes little provision for conserving biodiversity within areas allocated for palm oil plantations. Many plantations that are members of RSPO claim they would like to protect forests within their concessions, however a lack of regulatory provision makes this challenging resulting in lands that are frequently taken back by the local Government to be allocated to other plantations. This is a complex problem including potential discrepancy of maps at the national and local levels, delays in spatial planning, and a lack of clarity on what is a 'High Conservation Value' (which is not yet defined under Indonesian law).

Regarding GHG emissions, the President of Indonesia has pledged to reduce GHG emissions by 26% compared to the 2020 baseline, and even 41% if given international support. In Indonesia, the majority of CO2 emissions are originating from land-use change including deforestation and burning of peat lands.

Third, there are numerous reports on various local conflicts between palm oil operators and local or traditional communities, including an undermining of the rights of traditional or local communities. Although the Constitution of Indonesia is intended to protect the rights of the indigenous peoples, actual protection is limited because of the ambiguity in the scope of rights provided therein including land rights, accompanied by weak enforcement. Lack of clarity of land titles and low capacity of local government mediation task forces (TP3) are two key issues that need to be addressed. Furthermore, land ownership can be problematic because some smallholders do not have enough funds to cover the costs, unclear land legality and conflicts over unclear ownership prevail, thus making it a challenge for smallholders to obtain certification under ISPO (and other schemes such as RSPO) which require land titles.

Fourth, despite various international and national initiatives working on sustainable palm oil[2] coordination amongst these initiatives and with the Government is still lacking. Without full coordination, many of activities and findings risk not being officially recognized by the Government, and therefore not mainstreamed into policy. Efficiency is also at stake, for example ISPO and RSPO could potentially align certain sections/terminology of their certification schemes that would benefit plantations and certification companies, as well as international buyers. In addition, lack of coordination leads to misunderstanding between stakeholders and unnecessary tension and conflict.

Finally, ISPO is a potentially powerful system to ensure across the board compliance with regulations and therefore leveling the playing field in the Indonesian palm oil sector in favour of transparent and sustainable operations. However, ISPO is still in an initial phase with many plantations not fully understanding the process and some international stakeholders remaining sceptical of the standard's robustness. These areas need to be addressed for ISPO to realize its potential of bringing about fundamental change to the sector.

[2] For example by the World Wildlife Fund (WWF), Sawit Watch, World Resources Institute, Sekala, the Nature Conservancy, International Finance Corporation (IFC) and the European Union.

Proposed Interventions

Recognizing the above issues in the palm oil sector, the Ministry of Agriculture and UNDP through the SPO Initiative plan to pursue the following intervention:

1. **Strengthen smallholder ISPO certification processes focusing on Good Agricultural Practices (GAP) and environmental protection;**

   Large-scale changes in the palm oil industry would require close collaboration with smallholders who make up 40% of the production landscape. The SPO initiative will deliver substantial capacity building for smallholders, by strengthening the local government extension worker system, providing training and implementing dedicated pilot projects, in order to (i) prepare smallholders and for ISPO certification, (ii) improve livelihoods, including increased selling prices and increased capacity to negotiate prices, (iii) and improve environmental management in the pilot areas and eventually reduce the deforestation rate in specific pilot areas.

2. **Strengthen ISPO to protect forests, enhance biodiversity conservation and mitigate and monitor Greenhouse Gases (GHG) emissions;**

   The project will address major environmental concerns by strengthening the ISPO framework through policy interventions and pilot projects, based on a strategic assessment conducted at the initial phase of the project. Since ISPO is based on existing Indonesian legislation including those implemented by ministries, other than MoA, the project will potentially include discussions with relevant line ministries such as the Ministry of Forestry and the National Land Agency. Pilot projects in the three pilot provinces of Riau, South Sumatra and West Kalimantan will be carried out in parallel with the policy interventions.

3. **Address governance issues: Facilitate social responsibility by empowering related communities and strengthening mediation systems;**

   An effective mediation scheme is crucial for resolving disputes and preventing conflicts from escalating. The project will strengthen the existing mediation mechanisms linked to land titles and dispute resolution by enforcing government regulations. It also aims to clarify on-going disputes between local communities or smallholders and palm oil plantations and mills, and further facilitate mediation and compliance with ISPO guidelines. Collaboration with the National Land Agency is also important as most disputes stem from land ownership/use issues. A key mechanism used will be the district level mediation forum which could involve national, as well as local stakeholders, to discuss and propose dispute resolution mechanisms.

4. **Reinforce the ISPO system and promote ISPO requirement standards for wider acceptance;**

   The project will help to refine the ISPO regulations and socialize ISPO with all key stakeholders to facilitate full ownership and enforcement. This is crucial given the above three issues (smallholders, environment and governance) are happening in the context of unclear or weak enforcement of regulations related to sustainable palm oil. Compliance is mandatory since ISPO is a compilation of existing regulations. Specific activities include supporting MoA to socialize ISPO nationally and globally, as well as, supporting on-going development of ISPO compliance

guidelines, especially with regards to emerging areas such as GHG emission management and smallholder certification. Furthermore the project will support the existing third party audit mechanism and framework to ensure that ISPO certification bodies fulfill their oversight functions, ultimately resulting in increased international recognition and trust in sustainable Indonesian palm oil.

5. **Establish SPO Platforms to ensure transparency in support of the SPO project to promote sustainable palm oil.**

   To ensure various efforts to promote sustainable palm oil are synergized and knowledge and experience utilized, the SPO initiative will establish a multi-stakeholder national platform and provincial platforms in the pilot provinces. This multi-stakeholder forum will bring the Government of Indonesia together with key stakeholders including the sub national governments, palm oil producers, private sector, NGOs, and donors in the palm oil sector. The aim of these platforms is to coordinate activities under the four areas above (smallholder, environment, governance, and ISPO) through public–private partnerships, and to develop action plans necessary to create institutional change towards more sustainable practices in the palm oil sector.

Expected Results

1. **Smallholders Strengthened**
   - Palm oil smallholders in 6 pilot districts trained and facilitated in achieving certification under the ISPO system;
   - District level extension worker system strengthened to ensure continued support for smallholders;
   - Smallholder cooperatives and pilot initiatives established, leading to increased productivity and associated reduction of deforestation against baseline scenarios.
   - As a result, this project will ensure that smallholders are certified under ISPO

2. **Environmental Integrity Enhanced**
   - A government endorsed assessment of land conversion, including the main causes and associated biodiversity impacts and GHG emissions.
   - Policy interventions proposed to ensure that ISPO compliance will decrease deforestation, improved biodiversity protection, and reduced GHG emission;

3. **Improved Governance and Mediation Between Palm Oil Stakeholders**
   - Support independent palm oil smallholders to produce palm oil in legal land.
   - Mediation mechanisms covering 6 pilot districts in place and become operational;
   - Mechanism in place to compile relevant information on disputes to serve as a key reference for ISPO operation.

4. **ISPO Operationalization and International Standing Facilitated**

ISPO information including certification results and Principles and Criteria are made publicly available, backed up by a third party audit mechanism to ensure accountability of overall system;

- ISPO principles and criteria and its certification system strengthened;
- ISPO certified palm oil is endorsed by international community including major international buyers.

5. **Sustainable Palm Oil Platforms Established**

- National multi-stakeholder Sustainable Palm Oil platform established and operational;
- Three Provincial SPO platforms established and operational

Management Arrangements

The project will be implemented under the framework of the UNDP Country Programme Action Plan (CPAP), **applying National Implementation Modality (NIM) with the Ministry of Agriculture (MoA) as the Implementing Partner**. The Implementing Partner represents the Government of Indonesia, and will appoint a National Project Director to oversee the project.

The Project Board will set the strategic direction of the project and oversee the execution of the project and its activities. The Board will be comprised of: ISPO Commission as the Senior Beneficiary, the Directorate of Perennial Crops as the Executive, and UNDP as the Senior Supplier. Additional members of the Board potentially include the three pilot provinces and BAPPENAS, and partnering companies, donors, and NGO/CSOs as observers.

Key Considerations

1. Working through the ISPO framework- to ensure full legal compliance by stakeholders, and alignment with national development priorities
2. Sustaining project activities - replication of the project's activities in areas where its main production and smallholders are focused on palm oil, and obtaining credit programs and/or government funds are critical to ensure continuity and the expansion of the project
3. Utilizing UN expertise and mandate- UNDP Green Commodities Facility for platforms, and potentially FAO/UNV for smallholder training
4. Establishing multi-stakeholder platforms- to ensure transparency of the project and coordinate various ongoing initiatives including RSPO to facilitate mainstreaming into GoI policies
5. Ensuring Safeguards- to fully incorporate UNDP's corporate social and environmental screening procedures, considering cross cutting issues (gender, equity etc.)

1. Situation Analysis

Palm oil in Indonesia

Palm oil is an important and versatile raw material for both food and non-food industries. It contributes to the economic growth of producing countries and serves as an important dietary ingredient of millions of people around the world. Vegetable oil

production around the world totals about 150 million tons, of which over 40 million tons is palm oil, which makes it the world's leading oil crop. Palm oil is entirely free of genetic modification and has the highest yield per hectare compared to any other oil or oil seed crops. The rapid growth of palm oil production may add significant environmental pressures on eco-sensitive areas, particularly as palm oil can only be cultivated in tropical areas of Asia, Africa and South America.

From the 1990s to the present time, the area under palm oil cultivation has increased by about 43 percent, mostly in Malaysia and Indonesia, which are the world's largest producers of palm oil. (See figure below)

Figure 1: Geographical Distribution of Established Oil Palm Plantation in Indonesia and Malaysia

Indonesia is the world's top palm oil producer and was estimated to have produced 23 to 24 million tons of crude palm oil (CPO) in 2011. This may be increased by as much as 1.5 million tons in 2012. To put this into perspective, the global palm output is about 45 million tons[3].

In Indonesia, resource-based commodities such as coal, CPO, copper, rubber, and metal goods provided the backbone of non-oil and gas export performance in 2010. Palm oil is Indonesia's second largest agricultural product, and has been the most significant agricultural export for the last decade. In fact, the earnings from palm oil increased by USD 10 billion over the five year period 2007 to 2012.[4]The USD 16.1 billion earnings of palm oil related products exported by Indonesia in 2011surpassed the total earnings of other major export products such as coffee (USD 1 billion) and rubber (USD 7.6 billion). According to MoA, the palm oil export trend is projected to increase in response to a rising global demand.

Indonesian palm oil production covers almost 9 million hectares of land, of which approximately 52% of palm oil plantations are occupied by private plantations, 41% by smallholders and the remaining 7% by Government plantations. Private plantations represent the largest producers of palm oil in Indonesia, producing over 9.4 million

[3]Reuters, (2011): Palm Oil Industry Prepares for Rocky 2012: Special Report

[4] Trends of Selected Economic Indicators, statistics Indonesia August 2012

tons of palm oil in 2008, while smallholder plantations produced 6.7 million tons and Government plantations produced 2.2 million tons[5].

Indonesian Sustainable Palm Oil (ISPO) System

The ISPO scheme was launched by MoA to meet the commitment of the President of the Republic of Indonesia to reduce national GHG emissions while at the same time aiming to improve the competitiveness of Indonesian palm oil in the global market. MoA has developed a multi-year plan to implement ISPO.

ISPO is different from other voluntary palm oil certification schemes, such as RSPO, in that it is a compilation of existing Indonesian regulations, and is thus mandatory and reflective of the sustainability guidelines and aspirations of the Indonesian Government and other domestic stakeholders. Although ISPO is equipped with a certification mechanism similar to voluntary schemes, the essence of ISPO is to facilitate palm oil producers/mills to comply with the law, which in Indonesia can be challenging due to overlapping legislation or unclear guidelines. The differences and similarities of ISPO and RSPO approaches are described in the figure below:

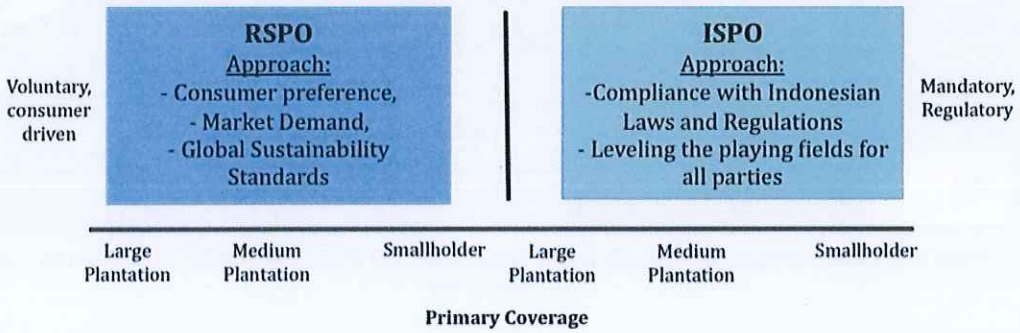


Figure 2: ISPO and RSPO primary coverage and approaches

As can be seen from the above, ISPO covers smallholders and medium to large plantations. RSPO, on the other hand, focuses mainly on large plantations that have sufficient resources to comply with the RSPO requirements, although RSPO is also engaged in ongoing efforts to bring smallholders into the certification scheme.

Existing Initiatives to Promote Sustainable Palm Oil

ISPO

In light of the above issues, the Government of Indonesia created Indonesian Sustainable Palm Oil (ISPO) – a national palm oil standard based on Indonesian law and compulsory for all palm oil growers. Indonesia Sustainable Palm Oil (ISPO) is a government-initiated scheme and developed to better implement the country's laws and regulations and will be mandatory for all Indonesian growers by the end of 2014 at the latest. In September 2011, the Indonesian Palm Oil Association (GAPKI) left RSPO and committed itself to the ISPO process. ISPO is a compilation of existing Indonesian regulations which makes it mandatory and reflective of the sustainability guidelines and aspirations of the Indonesian Government and other domestic stakeholders.

[5] World Growth (2011): The Economic Benefit of Palm Oil to Indonesia

RSPO

The Roundtable for Sustainable Palm Oil (RSPO) is the world's largest voluntary sustainable palm oil certification scheme and the SPO programme will actively facilitate collaboration between RSPO and ISPO. RSPO has been the driving force behind enhanced sustainability in the palm oil sector and continues to play a critical role by pursuing higher standards of sustainability and implementing various pilot programmes (smallholder certification etc) and field work.

Companies

Many Indonesian plantations are moving towards sustainability such as becoming certified under RSPO and ISPO. Furthermore, some companies have moved beyond certification- for instance Sinar Mas has implemented a policy to conserve high carbon stock forests. Other actors such as Nestle Oil are considering sustainable biofuel and the IFC plans to invest in smallholders.

NGO/CSOs

Non-Governmental and Civil Society Organizations such as the Prince Charles Rainforests Project, WWF, Greenpeace International, Sawit Watch, Solidaridad, DIE, ZSL and local research institutions are working on various issues including smallholder livelihoods, smallholder certification, drivers of deforestation, impacts on biodiversity and climate change, and land tenure disputes.

Smallholder associations

Numerous organizations have tried, or are currently working, to increase the capacity of palm oil smallholders.

- Smallholder Acceleration and REDD+ Partnership (SHARP), initiated by Sime Darby, is a multi-stakeholder grouping that works with the private sector to support smallholders with the triple goal of improving rural livelihoods, increasing yields and reducing deforestation. UNDP is collaborating with SHARP by providing inputs on a periodic basis.

- The Partnership on Indonesian Sustainable Agriculture (PISAgro) is an alliance of companies collaborating to improve the productivity and quality of different commodities, with special attention to environmental sustainability and the expansion of opportunities for smallholders. Sinar Mas is leading the palm oil PISAgro working group.

- Serikat Petani Kelapa Sawit (SPKS) is an organization of palm oil farmers initiated by Sawit watch (Indonesian palm oil NGO). The aims of this organization are to support independent palm oil farmers to better manage palm oil plantations. SPKS was established in 2006 and consists of nearly 11.500 farmers (independent and plasma).

- Asosiasi Petani kelapa sawit Indonesia (APKASINDO) is a palm oil organization facilitated by the Government. APKASINDO's missions are developing community palm oil plantations, empowering community institutions, and increasing productivity while managing the environment. APKASINDO covers 19 provinces with a total membership of 2 million farmers.

- Asosiasi Petani Kelapa Sawit PIR (ASPEKPIR) is a palm oil organization of plasma smallholders facilitated by government. ASPEKPIR focuses on replanting plasma plantations.

Project Rationale

This section describes the current situation/challenges in five areas that this project attempts to address. It is important to note that the scope described below reflects the aims of the full project, while the current preparatory phase will implement initial scoping and pilot activities. See the AWP 2014-2018 for full details of activities to be implemented under this project document with existing funding.

Challenges point to the need of a substantial intervention involving all levels of Government, palm oil industry, and NGO/CSOs. to address the need for (1) smallholder capacity building to ensure a solid base for promoting sustainability; (2) various policy level interventions on land planning and utilizing degraded land; (3) addressing conflicts to facilitate local stakeholders to work together; (4) supporting sustainable palm oil certification schemes backed by legal sanctions, such as ISPO which has the potential to reach every palm oil farmer/plantation, as well as other schemes such as RSPO; and finally (5) establishing a national platform and provincial platforms to coordinate actors in this extremely complex and sensitive initiative in a transparent and democratic manner.

1. Smallholders

Current national data estimates that there are more than 1.25 million smallholders[6] cultivating a total area of approximately 3.7 million hectares of palm oil farms. The project will train approximately 10,215 farmers from 6 districts in three pilot provinces (Riau, South Sumatra and West Kalimantan), covering a total of 950,000 hectares of smallholder farms. In addition to these farmers, the project will also establish a more systematic extension worker and district facilitator system by training group leaders who will in turn, share knowledge and train additional farmers within their respective districts.

Challenges of Smallholders

First, smallholder livelihoods are vulnerable. It usually takes three to five years from initial planting to monetization. As such, many smallholders usually go through a period of time without stable income. Plantation companies sometimes support these smallholders with loans, but the coverage is not large enough and most smallholders do not have access to larger loans due to lack of organizational capacity, scale and collateral. In addition, smallholders tend to practice multiple crop cultivation in an

[6] Palm oil smallholders are small-scale farmers growing oil palm, sometimes along with subsistence production of other crops, where the family provides the majority of labor and the farm provides the principal source of income, and where the planted area of oil palm is usually below 25 hectares in size. In reality, the average area is much smaller (5 hectares, with the most common size at 2 hectares).
There are two distinct categories of smallholders. The smallest category consists of smallholders who are structurally linked to and dependent on one mill, referred to as schemed or "plasma" smallholders. The other category of smallholders is the "independent" smallholders, who are free to choose which mill to sell their proceeds. Their cultivation area is estimated at more than 2.4 million ha. As the number of smallholders is increasing fast and it is difficult to identify their exact location, the exact status of smallholders is difficult to ascertain.

attempt to diversify production and reap quick returns, but this can result in diseases and lower productivity of palm oil.

Second, smallholders often do not have adequate legal support to formalize their businesses and operate legally. It is usually difficult for smallholders to obtain land certificates as it requires extensive efforts to go through the procedures at the district level (for farmers with less than 2 ha) and at provincial level (for farmers with land larger than 2 ha) administrative offices. This also implies costs that most of the farmers cannot afford, such as the fee for the authorities to undertake a land survey for land title certification.

Third, smallholder productivity is lower than organized plantations mainly because of insufficient knowledge of GAP, such as proper utilization of the fertilizers, manure, and pesticides. Furthermore, a critical issue for smallholders is that farmers often purchase sub-standard seeds at lower prices resulting in lower quality fruits with lower oil yields. These seeds can sometimes be fake seeds that smallholders buy from fraudulent vendors. Fake seeds are easily confused with genuine seeds as they are packed in labeled bags and sold to the unsuspecting smallholder.

Certification of Smallholders under ISPO

Independent smallholders are informal business entities run by families, and their small plantation plots should be legalised for eventual certification under ISPO. The preferred approach for legalization of independent smallholders is to create farmer organizations, or cooperatives with legal status, and registered under the Ministry of Cooperatives Small and Medium Enterprises.

A Cooperative is an organization which aims to help smallholders by supplying them with agricultural inputs such as fertilizer, pesticides etc., while also supplying family needs such as buying and selling food and non-food items. In addition, the organization should serve an administrative purpose by documenting member information such as the scope of area in hectares and number of smallholders and farmer groups who are members. In order to join a cooperative, members of should fulfil certain requirements, such as proving land rights.

Currently, most farmers do not understand ISPO certification schemes and the related benefits of certification. Therefore, in addition to legalization there is a need for smallholders to agree with and understand the ISPO scheme before the implementation of ISPO standards and certification can effectively take place.

At the beginning of the project smallholder plantations should be assessed by auditors to understand the baseline level of compliance. This will also be used later for gathering lessons learned to improve ISPO smallholder certification activities. Furthermore, at the end of the project auditors should conduct an assessment to ascertain the extent to which the project has improved smallholder practices.

Existing Government Support Systems for smallholders

The government has created the Agricultural Extension Worker System, which is a non-formal education system for farmers and their families, aimed at assisting them to enhance technical skills, as well as knowledge and self-reliance in managing their farming, business and living. Agricultural extension systems in Indonesia are intended

to develop agri-business systems and improve agribusiness efficiency and productivity to increase farmers' income and improve their welfare. [7]

Extension workers are Government officials dedicated to preparing, implementing, developing, evaluating and reporting on extension activities, at central and provincial levels. Therefore, their main task is to facilitate learning and business processes by providing technology, information, and legal support for agribusiness. They play five main roles: (a) Extension as an advisor; (b) Extension as a technician; (c) Extension liaison; (d) Extension as an organizer and; (e) Extension as a reformer agent.

At the central government level, the MoA is responsible for managing agricultural extension systems at the national level and in facilitating the implementation of agricultural extension at provincial and district levels. The governor manages agricultural extension systems at the provincial level, while the "Head of district" (Walikota/Bupati) oversees it as the district level.

Local Government Agricultural District offices (*Dinas Perkebunan*) manage agricultural extension worker systems to train farmers on GAP. It is generally understood that even though all provinces have some extension workers MoA's system is undersized, and many stakeholders claim this system is lacking in capacity to reach all farmers. Furthermore, stakeholders often point out a lack of specialization on palm oil. For example in West Kalimantan Province, various extension workers are present but they are mainly focused on rubber and cocoa, while none is dedicated to palm oil.

In addition, at the district level, Program District Facilitators (FASDA I / II / III), comprised of people who have participated in training of trainers (TOT) programs, will be facilitating the process of empowerment of farmers living in the pilot regions at the province and district level.

2. Environmental, Biodiversity Protection GHG Emission Reduction

Indonesia's lowland forests are among the world's most species-rich terrestrial habitats, and yet have one of the highest deforestation rates. A number of endangered species, including orangutans (Sumatra and Kalimantan orangutans), Sumatran elephants, and Sumatran tigers are the focus of international concern because their natural habitat is rapidly being destroyed by forest conversion and forest fragmentation. The development of palm oil plantations is often alleged to be one of the causes of the habitat destruction and fragmentation that impede the movement of animals between their habitat patches, resulting in reduced home ranges and threatening the population viability of these animals. Also, as the boundaries of plantations further expand, wild animals come into increasing conflict with human communities that live around the plantations.

The extent of environmental damage caused by smallholders may not be as significant compared to other drivers. However, due consideration should be given to the fact that is likely very difficult for smallholders to swap their land for other lands because of the lack of financial and other kinds of support. One potential approach to address this challenge would be if smallholders grouped into cooperatives which were able to manage large pieces of land and take care of the environment together.

[7]Decentralizing Extension to Local Governments: Indonesia Experience. Dr. AmrinZakaria, 2003

In addition to the conservation of biodiversity and forested land, this project also aims to address the GHG emissions. To reverse the trend of increasing GHG emissions, the President of Indonesia committed to reduce GHG emission by 26% unilaterally and 41% with international support by 2020. To support this commitment, the national planning agency, BAPPENAS, developed a national and local mitigation action plan (RAN/RAD-GRK) to reduce GHG emissions. As further described in the table below, MoA and MoF have the mandate to reduce emissions from forestry and peatland conversion. Furthering this mandate, MoA issued a decree No. 19/2011 on the development of ISPO, and required the Indonesian palm oil industry to reduce GHG emissions from land use change, avoid new plantations on peatlands and establish methane capture facilities in palm oil mills to address POME (Palm Oil Mill Effluent) related emissions.

Sectors	Emission Reduction Plan 1`(Giga ton CO2e)		Responsible Line Ministry
	26%	15% (Total 41%)	
Forestry and Peat	0.672	0.367	Forestry, Environment, Public Works, Agriculture
Waste	0.048	0.030	Public Works, Environment
Agriculture	0.008	0.003	Agriculture, Environment
Industry	0.001	0.004	Industry
Energy and Transportation	0.038	0.018	Transportation, Energy and Mining, Public Works
Total	0.767	0.422	

Table 1: Emission reduction targets in the national mitigation plan (RAN-GRK)[8]

3. Governance and Mediation

Governance challenges in relation to palm oil production include land tenure, marginalization of smallholders and absence of effective dispute resolution mechanisms. There are many types of land dispute issues related to palm oil production (e.g., disputes between smallholders and big plantations, among smallholders, or between smallholders and people surrounding the farms). The lack of secure land tenure amongst smallholders is a major source of conflict. Insecure land tenure can also discourage investment in existing land, which in turn results in low productivity and tendency to open up new land, which can result in additional disputes. Secure land tenure is also important as a prerequisite for ISPO and RSPO certification, and often as a condition for obtaining financial support.

A mediation mechanism is needed to ensure that palm oil production related violations are strictly investigated and addressed, and land related disputes are minimized and resolved efficiently and amicably. In addition, disputes and allegations need to be carefully reviewed and assessed to validate the information and claims, and if necessary, compiled as lessons learned/precedents for future dispute resolution.

4. ISPO Certification Scheme and Wider Acceptance

The ISPO scheme consists of 7 principles, 38 criteria and 143 indicators on various topics including; legality, GAP and GMP, conservation of biodiversity, mitigation of GHG emissions and labour safety. All criteria are based on existing Indonesian

[8] Source: www.bappenas.go.id, November 2011

regulations. In order to further strengthen these principles and criteria, accurate scientific and technical data and information on GHG emissions, protected forests, need to be researched and methodologies developed. Currently the ISPO Criteria does not address opening new plantations due to a Presidential moratorium on peatland and forests which will remain in effect until 2015. However, for opening land banks (i.e., the land already released for future concessions and not subject to moratorium) the ISPO standard should be followed.

5. National and Provincial Platforms

Notwithstanding the various activities promoting sustainable palm oil in Indonesia, there is a need to bring together activities through a multi-stakeholder platform mechanism to drive key interventions with the full ownership of the Government. The SPO initiative will strengthen the institutional and individual capacities needed to ensure the sustainable production of palm oil in Indonesia, and also contribute to the development and strengthening of the policy framework necessary to support the new system introduced through this project. However, introduction of these activities and policy interventions will only be maximized through coordination and consensus built around these changes. Therefore, working groups for each subject area (smallholders, environment, mediation, and ISPO standards) is needed through which all the activities carried out by the line ministries and stakeholders is to be coordinated. The working groups will channel their findings and discussion to the national and provincial platforms.

Activities	Independent Smallholders	Big plantations
Smallholders	• Vulnerable livelihoods; • Limited understanding of GAP including better planting materials • Limited support to formalize their operations; • Lack of financing options because they are not legal registered companies and also do not have collateral • Lack of access to agro-inputs (e.g., quality seedlings and fertilizers).	• Various requirements (legal and voluntary based) to purchase/incorporate smallholder produced palm oil • Not confident of smallholder palm oil quality • Contractual arrangements and geographically scattered nature of smallholders make it difficult to establish better working relationships
Environmental protection	• Encroachment of palm oil operation on forest areas and illegal land conversion for some smallholders; • Limited awareness among smallholders of environmental protection and biodiversity conservation; and • Poor productivity causing further encroachment.	• Rapid land conversion and deforestation in connection with issuance of concessions; • Limited legal basis for conserving protected areas within concessions; • No threshold for GHG emissions in connection with the opening of a new plantation required by ISPO • Compliance with the moratorium.
Governance and mediation	• Limited understanding of land rights; and • Limited resources to address land tenure issues.	• Weak mechanism for land dispute resolution, including lack of compensation scheme.
Strengthening and clarification of ISPO	• Limited understanding of ISPO requirements; and • Limited capacity and resources to meet ISPO standards.	• Limited understanding or acceptance of ISPO scheme; and • Limited mechanism to ensure traceability within the supply chain. •

Table 2: Overview of challenges addressed by SPO initiative

2. OBJECTIVE

1. Strengthen smallholder ISPO certification processes focusing on Good Agricultural Practices (GAP) and environmental protection;
2. Strengthen ISPO to protect forests, enhance biodiversity conservation and mitigate and monitor Greenhouse Gases (GHG) emissions;
3. Address governance issues: Facilitate social responsibility by empowering related communities and strengthening mediation systems;
4. Reinforce the ISPO system and clarify ISPO standards for wider acceptance;
5. Establish SPO Platforms to ensure transparency in support of the SPO project to promote sustainable palm oil.

3. STRATEGY

3.1. First Approach for 2014 and Fundraising Strategy for 2015-2018

As confirmed that budget funded for 2014 is USD600,000 and GOI USD100,000. The budget availbale to operational SPO in two districts pilot namely Pelalawan and Siak in Riau provice. Soonest after the SPO prodoc signed and operational, potential donors will committ to finance SPO as sustainability framework inline with green economy development. The summary of fundraising strategy is shown on the table below.

SPO Component	Total Fund Required (2014-2018)	Funded (2014)			Unfunded (2015-2018)		
		Donor	USD	%	Donor	USD	%
Output 1 : Smallholder	**7,000,000**		**375,000**	**2.4%**	GEF6	**6,625,000**	**42.7%**
1.1. Extension Worker	2,503,000	UN REDD	169,000		Private	2,334,000	
1.2. Smallholder	2,364,600	UN REDD	86,000			2,278,600	
1.3. Cooperative/Partnership	2,132,400	UN REDD	120,000			2,012,400	
Output 2 : Environment	**4,000,000**		**40,000**	**0.3%**	GEF6	**3,960,000**	**25.5%**
2.1. Strategic Assesment	1,146,000	UN REDD	20,000		Bilateral	1,126,000	
2.2. Protection Biodiversity	1,614,000	UN REDD	20,000		REDD+	1,594,000	
2.3. GHG Emission	820,000		0		NAMAS	820,000	
2.4. Pilot Projects	420,000		0			420,000	
Output 3 : Governance	**700,000**		**5,000**	**0.0%**	Bilateral	**695,000**	**4.5%**
3.1. Legal Land Status	255,000		0			255,000	
3.2. Mediation Capacity	445,000	UN REDD	5,000			440,000	
Output 4 : ISPO	**1,300,000**		**40,000**	**0.3%**	UNDP	**1,260,000**	**8.1%**
4.1. ISPO Socialized	523,000		0		GCP	523,000	
4.2. ISPO Management	777,000	IKEA SAG	40,000			737,000	
Output 5 : Platform	**1,000,000**		**40,000**	**0.3%**	Bilateral	**960,000**	**6.2%**
5.1. National	670,000	KRAFT	40,000		UNDP	630,000	

SPO Component	Total Fund Required (2014-2018)	Funded (2014)			Unfunded (2015-2018)		
		Donor	USD	%	Donor	USD	%
5.2. Province	330,000		0		GCP	330,000	
Project Management Unit	**1,000,000**	UN REDD	**100,000**	**0.6%**	Private	**900,000**	**5.8%**
Government Parallel	**500,000**	GOI	**100,000**	**0.6%**	GOI	**400,000**	**2.6%**
(Cash + Inkind)							
Total	**15,500,000**		**700,000**	**4.5%**		**14,800,000**	**95.5%**

Table 3. First approach for 2014 and fundraising strategy for 2015-2018

This project document proposes a USD 15.5 million budget compared to allocated resources of USD 600,000. This gap is due to the project being highly comprehensive and large in scope. The project therefore requires further fundraising, which will be based on showcasing results achieved during the initial phase (2014-early 2015). Potential donors include:

- GEF6 (see below for more details on GEF)
- Bilateral partners
- REDD+/climate change financing
- UNDP/GCP
- Private sector

Efforts are already underway to pursue these possibilities, in particular advanced negotiations are being held with one bilateral partner and one corporation for potential contributions amounting to USD 800,000.

Key focal areas are as follows:

	Smallholders	Environment	Governance	ISPO and certification	Platforms and coordination
GEF6	X	X			
Bilaterals/ development partners		X	X		X
REDD+, NAMAs[9]		X			
UNDP/GCP				X	X
Private sector	X			X	

GEF

The GEF (Global Environment Facility) is the world's largest global trust fund, allocated funds of 4.25 billion USD for 2010-2014. The 6th GEF programme will run for four years covering July 1, 2014 to June 30, 2018, and is expected to manage a similar amount of funds. GEF6 will adopt a programming approach with a stronger focus on the drivers that lead to unsustainable usage of resources, with theaim to tackle the "root-causes" of environmental degradation. GEF6 focal area strategies

[9] Nationally Appropriate Mitigation Actions

cover: (i) biodiversity; (ii) climate change mitigation; (iii) chemicals; (iv) international waters; and (v) land degradation; and strategies for: (i) sustainable forest management; and (ii) corporate programs.

GEF-6 targets the three principal direct drivers of biodiversity loss — habitat loss, overexploitation, and invasive alien species. A potential focal area is the Land Degradation Focal Area Strategy, which includes the programmatic priority *"build on planned or existing initiatives addressing improvements in genetic resources and use of inputs, institutional frameworks to strengthen capacity of smallholder farmers, and efficient marketing and extension programs"*. This aligns well with the SPO smallholder and extension worker strengthening outcome.

Bilaterals/development partners

UNDP already engages with embassies and bilateral partners on its various projects including SPO. Bilateral funding depends on the source (ex climate change or governance), and for SPO purposes the target will be rule of law, coordination of stakeholders, and environment. This is based on preliminary discussions with various bilateral partners based in Jakarta.

REDD+/NAMAs

Since one of the key aims of SPO aims to reduce deforestation by strengthening smallholders and certification schemes, SPO activities which result in measureable reduced deforestation/land degradation may trigger performance based payments. REDD+ is a 1billionUSD grant fund provided to Indonesia by the Government of Norway, currently being operationalized after the establishment of the REDD+ Agency in 2013. NAMA funding is diverse, and the current main institution for funding NAMA activities is the recently established Green Climate Fund. SPO aims to quantify reduced deforestation impacts in order to access REDD+ and NAMA funding.

UNDP/GCP

GCP is already receiving funds from various sources including UN-REDD and bilaterals, and these global funds can be channelled to the country level. For 2014-early 2015, most operational funds are channelled to SPO from GCP. Considering the growing importance of intervening in supply chains and working with the private sector, GCP global funds will most likely continue to grow, as long as the country programmes are delivering real impacts on the ground. Given the global scope of GCP, funds will be allocated to activities in line with donor core areas, and platforms to ensure coordination.

Private sector

SPO currently receives funds from major palm oil buyers, and is now in discussion with several producers. The partnership strategy with the private sector is flexibe-companies can provide funding to SPO, co-finance or cost-share activities, or lend valuable political support to SPO activities. Preliminary discussions with major Indonesian palm oil producers indicate that there is considerable appetite to partner with SPO to strengthen independent smallholders to ensure the 'bottom of the pyramid' is robust and can produce sustainable palm oil.

3.2 Project Coverage

Pilot activities will be carried out in the pilot provinces of Riau, South Sumatra and West Kalimantan to test the effectiveness of proposed interventions. The following criteria were considered in selecting these provinces:

1. **Area of palm oil plantations, production and productivity rates** - as shown in Table 4 below, these three provinces represent significant variations in terms of areas occupied, production and productivity rates, and this variation would be helpful to assess the effectiveness of training for different levels of production/productivity rate, and how best to tailor these interventions to achieve economy of scale;

2. **Palm oil production maturity** - in order to determine whether the effectiveness of interventions differs based on the production maturity levels, it is important to pick provinces with varying levels of maturity. Riau has the most mature palms, while West Kalimantan is still opening up new land and has a majority of young oil palms. South Sumatra has both mature and young palms;

3. **Area of palm oil farms cultivated by both independent and plasma smallholders** - in the selected provinces smallholders cultivate some of the largest total areas of palm oil farms. Riau has one of the highest numbers of independent smallholders, while South Sumatra and West Kalimantan represents the mid-range number of smallholders. The number of plasma smallholders is also a relevant consideration because lessons learned from their operations could be used by independent smallholders to further improve their practices;

4. **Poverty rates** - one of the aims of this project is to indirectly improve the livelihood of the farming communities, therefore, poverty level was also considered in selecting the pilot provinces; and

5. **Forested area** - the three selected provinces have relatively high ratios of forest cover in comparison to non-forested land, making them vulnerable to further deforestation and degradation of forest from palm oil operation. Thus, the project will focus on these provinces to reduce the rate of conversion of protected areas.

No	Province	Production	Area	Productivity	Smallholder			Forest Area	Plasma	Independent
		(Ton)	(Ha)	(Kg/Ha)	Area (Ha)	Proc (Ton)	HH	(Ha)	(Ha)	(Ha)
1.	Aceh	724,548	363,660	2,945	195,639	236,525	115,242	3,335,713	7,440	724,548
2.	North sumatera	4,182,052	1,192,466	3,691	416,541	1,185,139	173,338	3,742,120	30,077	4,182,052
3.	West sumatera	960,969	376,858	3,312	177,389	384,288	169,368	2,342,650	4,800	960,969
4.	Riau	6,421,228	2,037,733	3,886	1,297,294	3,485,172	513,307	9,456,160	38,129	6,421,228
5.	Kepulauan Riau	14,546	8,932		1,265	923	517			14,546
6.	Jambi	1,885,530	687,892	3,925	427,950	895,399	171,277	2,179,440	-	1,885,530
7.	South Sumatera	2,603,536	821,391	3,922	372,439	1,014,059	198,733	3,742,327	20,000	2,603,536
8.	Bangka Belitung	546,275	197,586	3,109	60,568	80,811	31,916	657,510	-	546,275
9.	Bengkulu	871,463	309,723	3,688	193,839	463,921	104,044	920,964	4,159	871,463
10.	Lampung	401,539	144,466	3,251	86,119	171,964	121,598	1,004,735	8,000	401,539
11.	West Java	20,072	9,039	105	179	105	122			20,072
12.	Banten	29,360	20,044		7,628	10,483	7,397			29,360
13.	West Kalimantan	1,601,200	885,075	2,928	293,306	439,851	100,763	9,101,760	19,452	1,601,200
14.	Central Kalimantan	2,771,268	1,024,973	3,449	158,696	250,178	85,478	12,652,822	-	2,771,268
15.	South Kalmantan	1,164,672	423,208	3,069	67,564	124,328	35,681	1,779,982	7,437	1,164,672
16.	East Kalimantan	1,092,483	716,662	3,344	216,720	183,744	65,042	14,651,053	17,000	1,092,483

No	Province	Production (Ton)	Area (Ha)	Productivity (Kg/Ha)	Smallholder			Forest Area (Ha)	Plasma (Ha)	Independent (Ha)
					Area (Ha)	Proc (Ton)	HH			
17.	Central Sulawesi	264,775	112,661	3,466	62,377	104,784	19,247	4,394,932	-	264,775
18.	West Sulawesi	246,765	94,819	3,999	47,997	96,059	45,550	1,185,666	-	246,765
19.	South East Sulawesi	24,520	40,041	191	5,538	82	3,544			24,520
20.	South Sulawesi	46,409	41,982	2,878	23,413	27,400	11,825			46,409
21.	Papua	74,032	39,928	2,905	14,244	8,120	10,225	40,546,360	3,600	74,032
22.	West Papua	68,278	23,575	2,891	10,915	34,394	4,406	-		68,278
	TOTAL	26,015,520	9,572,714		4,137,620	9,197,729	1,988,620	130,609,014	160,094	26,015,520

Table 4: Area, Production and Productivity of Smallholder Palm oil in 2012[10]

The table below shows the proposed two districts in each of the three provinces. These districts were selected by MoA based on a combination of criteria such as (i) the palm oil plantation areas, (ii) the production and productivity rate, (iii) the number of households, (iv) the number of the independent and plasma smallholders, (v) the number of the extension workers in place, (vi) the forestry areas, and (vii) the poverty rate.[11]

No	Districs	Area (Ha)/ District	Production (Ton)	Productivity (Kg/Ha)	House Hold	Plasma		Independent		Extention Worker	Forestry (Ha)	Income/Ha (Rp)
						Ha	HH	Ha	HH			
						RIAU						
1.	Kampar	183,016	495,686	3,494	88,692	33,276	16,638	149,740	74,870	242	482,259.13	5,588,847
2.	Rokan Hulu	212,475	505,079	3,710	70,356	23,435	11,718	189,040	94,520	131	253,937.97	7,178,904
3.	Pelalawan	118,635	436,865	3,916	39,212	13,804	6,902	104,831	52,416	83	755,896.10	11,141,105
4.	Indragiri Hulu	56,886	182,622	3,609	31,209	5,142	2,571	51,744	25,872	99	384,825.72	5,851,581
5.	Kuantan Sengingi	71,093	181,447	3,132	38,773			71,093	35,547	150	0.00	4,679,726
6.	Bengkalis	148,209	326,035	3,961	42,219	13,536	6,768	134,673	67,337	78	704,138.60	7,722,471
7.	Rokan Hilir	168,991	491,279	3,370	49,516	-		168,991	84,496	64	436,322.86	9,921,621
8.	Dumai	35,265	75,085	3,505	9,392			35,265	17,633	26	162,789.83	7,994,570
9.	Siak	190,271	549,131	3,830	63,228	-		190,271	95,136	86	482,562.03	8,684,934
10.	Indragiri Hilir	108,488	238,353	3,710	79,292	9,550	4,775	98,938	49,469	180	395,634.94	3,006,016
11.	Pekanbaru	3,965	2,690	3,741	1,418			3,965	1,983	39	15,773.00	1,897,038
	Sub-total	1,297,294	3,484,272		513,307	98,743	49,372	1,198,551	599,276	1,178	4,074,140.18	6,787,891
						SOUTH SUMATERA						
1.	Lahat	17,076	50,944	3,591	10,144	3,800	1,900	13,276	6,638	226	135,762	5,022,082
2.	Empat Lawang	177	66	930	185			177	89	48	77,097	356,757
3.	Musi Banyu Asin	72,207	184,925	3,754	38,564	31,006	15,503	41,201	20,601	176	703,857	4,795,275
4.	Banyu Asin	47,124	76,643	3,673	31,629			47,124	23,562	238	477,927	2,423,188
5.	Musi Rawas	66,345	196,909	3,655	31,639			66,345	33,173	280	634,913	6,223,616
6.	Komering Ulu	21,333	71,543	3,694	10,567	12,005	6,003	9,328	4,664	96	111,707	6,770,417
7.	OKU Timur	18,735	46,817	3,287	9,538			18,735	9,368	172	16,006	4,908,471
8.	OKU Selatan	334	44	530	246			334	167	129	193,345	178,862
9.	Ogan Komering Ilir	76,900	245,658	3,509	38,735	29,412	14,706	47,488	23,744	218	974,430	6,342,016
10.	Ogan Ilir	3,861	2,188	2,383	2,824			3,861	1,931	153	17,700	774,788
11.	Muara Enim	47,148	135,105	3,643	24,126	-		47,148	23,574	271	382,960	5,599,975
12.	Pagar Alam	-						-	-	32	23,076	
13.	Lubuk Linggau	874	2,776	3,251	437			874	437	63	9,619	6,352,403
	Sub-total	372,114	1,013,618		198,634	76,223	38,112	295,891	147,946	2,102	3,758,399	5,102,943
						WEST KALIMANTAN						
1.	Landak	12,701	28,313	2,415	6,284	1,175	588	11,526	5,763	108	621,668	4,505,570
2.	Sambas	17,228	20,269	2,018	7,701	10,372	5,186	6,856	3,428	246	381,861	2,631,996
3.	Bengkayang	12,554	13,603	2,190	4,354			12,554	6,277	87	409,903	3,124,254
4.	Singkawang	6,117	2,358	856	112			6,117	3,059	44	34,942	21,053,571

[10]Source : Tree Crop Estate statistic of Indonesia, Palm Oil 2012-2014

[11]Ministry of Agriculture, Department of Perennial Crops

No	Districts	Area (Ha)/ District	Production (Ton)	Productivity (Kg/Ha)	House Hold	Plasma		Independent		Extention Worker	Forestry (Ha)	Income/Ha (Rp)
						Ha	HH	Ha	HH			
5.	Sanggau	102,965	119,217	1,831	35,253	54,015	27,008	48,950	24,475	131	928,606	3,381,755
6.	Sintang	30,406	50,940	2,625	11,333	-		30,406	15,203	133	939,803	4,494,838
7.	Kapuas Hulu	3,018	3,265	2,185	1,510			3,018	1,509	138	2,758,387	2,162,252
8.	Ketapang	62,086	120,151	2,316	16,891	35,595	17,798	26,491	13,246	94	2,379,908	7,113,315
9.	Kayong Utara	1,694	835	493	847			1,694	847	33		985,832
10.	Kubu Raya	4,872	4,885	2,731	762			4,872	2,436	158		6,410,761
11.	Pontianak	1,145	698	1,767	430			1,145	573	18	803,266	1,623,256
12.	Kekadau	34,160	55,602	2,300	12,084	2,660	1,330	31,500	15,750	94	314,093	4,601,291
13.	Melawi	6,404	21,145	3,302	3,202	11,200	5,600	(4,796)	(2,398)	63	1,657,935	6,603,685
	Sub-total	295,350	441,281		100,763	115,017	57,509	180,333	90,167	1,347		4,379,395
	Total	1,964,758	4,939,171		812,704	289,983		1,674,775	837,388	4,627		6,077,454

Table 5: Oil Palm, Area and Production of Smallholders and Foresh Area Per District In West Kalimantan, Riau and South Sumatera on 2012

(Legend: HH = total number of households; Plasma = schemed smallholder; Independent = independent smallholder; Extension = extension workers)

3.3 Design principles and strategic considerations

Sustainability

The SPO project will implement ISPO principles and criteria, and conduct an assessment based on the ISPO standard in pilot provinces, and will compile lessons learned for implementation in other provinces. The project will work with financial institutions to address barriers to commercial funding for smallholders, and potentially the establishment of funding schemes/partnerships to facilitate the extension of credit to farmer cooperatives. Further, relevant line ministries and local governments will be supported to continue the implementation of the SPO project to replicate the interventions in other geographical areas.

Partnerships

The success of the initiative will depend largely on the strength of partnerships among the key stakeholders. The first set of stakeholders is the Government of Indonesia with MoA having the leading role of Implementing Partner (IP) in the project. The Ministry of Forestry, BAPPENAS, the President's Delivery Unit for Development Monitoring and Oversight (UKP4)/REDD+ Agency, as well as the provincial and district governments will also play key roles as further described in this project document. The private sector will be represented by major international companies such as Kraft Foods/Mondelez, IKEA, Johnson & Johnson as well as local producer groups such as the Indonesian Palm Oil Association (GAPKI) and Oil Palm Farmers Union (SPKS). These are member associations for large and small producers and include the largest domestic palm oil companies such as Sinar Mas, Wilmar and Musim Mas. Non-Governmental and Civil Society Organizations such as RSPO, the Prince Charles Rainforests Project, WWF, ZSL, Greenpeace, Sawit Watch, Solidaridad, and local research institutes are also key stakeholders. Extensive research on the palm oil landscape is being carried out by these organizations on smallholder livelihoods, drivers of deforestation, impacts on biodiversity and climate change, and land tenure disputes. The project will attempt to leverage existing knowledge, to share insights/information and conduct initial assessments, and possibly jointly design smallholder training programmes and other pilot activities. CSOs may also be engaged in implementing, monitoring and evaluating one or more of the pilot projects under the SPO project.

Leveraging UNDP Initiatives

The project will leverage other UNDP initiatives such as "Reducing Emissions from Deforestation and Forest Degradation" (REDD+), the "Indonesia Climate Change Trust Fund" (ICCTF), and UN-REDD, to gain access to influential policy-makers as well as to build synergies between these initiatives. It will similarly take advantage of UNDP's work on biodiversity, to create pilot initiatives that promote the dual objectives of land-use management and biodiversity protection. Links with initiatives targeting other commodities - timber, cocoa, rubber, sugar, coffee, rice, etc. – will also be explored, with a view to promoting the broader principles and norms of sustainable agricultural production. Similarly, the project will also seek to collaborate closely with other initiatives underway by development partners.

The UNDP Indonesia Country Office has also maintained a strong relationship with the Indonesian Global Compact Network (IGCN), which is a network of major Indonesian companies that endorse and practice the principles of the UN Global Compact, i.e., achievement of human rights, competitive labor, sustainable environment, and ethical business practices. The UNDP Indonesia country office Public-Private Partnership Adviser will also assist to foster public-private engagements on sustainable palm production.

In order to connect the ISPO certification scheme to the global market, the project will work closely with the UNDP's Green Commodity Facility (GCF). GCF is a UNDP initiative which manages a global portfolio of national-level commodity-focused programmes and platforms that remove barriers and institutionalize systemic approaches and resources for scaling up the production of sustainable commodities. This includes addressing environmental externalities within the supply chain, strengthening financial sustainability for technical assistance, reforming policy to level the production playing field and incentivizing sustainability. GCF will provide technical advisory support for the establishment of SPO platforms and assistance in brokering strategic partnerships at the international level.

Coordination with RSPO

The project will collaborate with RSPO to study opportunities for synergy and to clarify and socialize the complementarities between the two certification schemes. For example, ISPO and RSPO will conduct a joint study on the concept of High Conservation Value (HCV) and Free, Prior and Informed Consent (FPIC). HCV is not defined under Indonesian law and therefore efforts to protect HCV land can be challenging for plantations trying to follow RSPO principles in Indonesia. This is an area where the two certification schemes can work together to potentially harmonize terminology, and therefore ease the certification process for plantations which may have to be certified under both schemes.

Systematic Monitoring, and Safeguards

As interests of involved stakeholders are often divergent, monitoring natural resources management and socioeconomic development require transparency and accountability, as well as expertise to measure complex indicators. Thus, a particular emphasis will be put on establishing a realistic and participatory approach to Monitoring & Evaluation (M&E). The project will set up an M&E unit including independent audit bodies. The M&E unit will closely monitor the progress of activities and regularly report to the Project Board. The detailed M&E considerations and plan are further described in Article 7 of this project document.

3.4. Cross-Cutting Issues

All UNDP-supported projects and programmes are developed and implemented in line with agreed international principles and with cross-cutting themes that are proven to improve the effectiveness and efficiency in the use of resources. UNDP, based on its vast experience in supporting development projects, is well positioned to support the GoI in ensuring that the project is designed and managed in line with international standards and best practices.

Transparency, Accountability and Anti-Corruption

The GoI and UNDP share the common fiduciary responsibility to ensure that all resources invested in supporting the GoI's development efforts are managed with the highest level of transparency, accountability and integrity. Lack of transparency and accountability and measures to safeguard public resources creates room for corruption and mismanagement of resources, both of which can have serious consequences on the country's prospects for development. Mismanagement in SPO initiative not only reduces the benefits available to local communities, but may also result in a failure to achieve emission abatement potential and the creation of offsets which lack environmental integrity. In this regard, it is important to ensure that SPO Initiative activities are linked to public policies and initiatives related to accountability, transparency, anti-corruption, promotion of integrity, honesty and responsibility among public officials. Moreover, increasing public access to information on SPO initiative and transparent public procurement and public finance management system, in addition to strengthening oversight functions of relevant institutions and harmonization and coordination of anti-corruption initiatives at the country, regional and international levels will play important roles in addressing corruption risks.

Gender, race and religious equality

Gender, race and religious equality and women's empowerment are human rights that lie at the heart of development work and are relevant for the success and sustainability of any development initiative. Guiding principles may include defining issues in such a manner that gender, race and religious equality differences can be diagnosed and translated into concrete measures and efforts to broaden all the affected parties' participation at all levels of the project and in decision-making processes.

The SPO initiative will ensure that all activities and decisions are in line with Government of Indonesia and UNDP guidelines and principles. In particular, the project will ensure that gender, religious and ethnic considerations will not play a role in deploying project resources or in isolating the beneficiaries of the project. The project will also employ the services of a Gender Expert to ensure that activities, results and indicators are based on gender related considerations and to establish a mechanism for disaggregated data collection, monitoring and reporting.

3.5. Results Framework

Objective of SPO initiative

To promote the sustainable production and use of palm oil by (i) assisting smallholders to produce palm oil sustainably and (ii) strengthening the Indonesia Sustainable Palm Oil (ISPO) scheme while minimizing adverse environmental and social impacts. It is

important to note that the scope described below reflects the aims of the full project, while the current preparatory phase will implement initial scoping and pilot activities. See the AWP 2014-2015 for full details of activities to be implemented under this project document with existing funding.

Output 1: Smallholder ISPO certification processes strengthened by focusing on good agriculture practices and environment protection

Improving palm oil smallholders' organizational and technical capacity may impact the productivity and the livelihoods of the smallholders. Training of smallholders to meet ISPO criteria (including environmental consideration and implementing Good Agricultural Practices) will not only prepare smallholders and associated mills and plantations for ISPO smallholder certification, but will also result in improved livelihoods and better environmental management in the pilot areas.

Output 1.1: Extension worker/district facilitator system strengthened at provincial and district levels

The Local Government Agricultural District office (Dinas Perkebunan) manages agricultural extension worker systems to train farmers on GAP, but stakeholders claim that there are no extension workers and district facilitators specialized on estate crops. Furthermore, even if extension workers and district facilitators have knowledge of agronomics such as seedlings and fertilizer management, ISPO compliance and environmental awareness may not be sufficiently covered. Therefore in order to deliver ISPO certification training to smallholders, extension workers and district facilitators need to be trained in these areas.

Pilot training will be conducted by professional trainers to train extension workers and district facilitators. Indicative activities are as follows:

1. Conduct baseline assessment of current extension worker system capacity in terms of human resources and expertise in the three provinces and pilot districts;
2. Coordinate with provincial governments to determine priority training modules and recipients, including potential hiring of extension worker supporting officers (if needed);
3. Facilitate appointment of personnel to provide intensive training on ISPO compliance, GAP, environmental awareness, socio-economic issues (to improve livelihoods) and strengthening farmer groups/cooperatives; and
4. Provide training to extension workers and district facilitators.

The project will utilize partnerships with other development projects, stakeholders, academia, NGO/CSOs and the SPO provincial platforms, to station experts at the provincial level. To ensure sustainability, a transition plan from project-supported training to local government initiated training will be developed.

Output 1.2: Smallholder capacity strengthened

Smallholder productivity is considerably lower than the productivity of larger plantations, mostly because they do not have enough capital to scale up their production, have low awareness/received little training, and use sub-standard

seedlings. In addition, many smallholders lack the knowledge to tell the differences between high and low quality seeds and are heavily dependent on middlemen for seed supply. Fake/fraud seeds have 2-3 ton/ha extraction rate of palm oil, meanwhile organized larger plantations which use proper quality seeds have a 4-5 ton/ha extraction rate. This results in smallholder's Fresh Fruit Bunches (FFB) yielding less than the larger plantations, in addition to selling at a lower price. Less productivity and less profitability lead to vulnerable livelihoods, which in theory result in the decision to cultivate more or different crops, which is alleged to be a cause of deforestation/land conversion within protected forests. It is therefore important to support and facilitate the training of smallholders, through the extension worker and district facilitator system, which will be strengthened through Output 1.1.

Pilot independent smallholder farmer groups will be identified through surveys in the pilot districts and categorized based on their capacity (A, B and C). The lowest capacity category is referred to as the 'non-farmer' group 'A' where basic farming/agricultural techniques are not implemented. The second category 'B' utilizing basic techniques can be called farmers, but are short of being certified under ISPO. The highest category 'C' consists of farmers who are ready to be ISPO certified. Another key criterion to identify pilot farmer working groups will be the proximity of the independent smallholders' operation to the forests. This is important in assessing how much smallholder training and capacity building actually reduces the negative environmental impacts such as encroachment on forests. Indicative activities are:

1. Conduct 6 surveys, one in each pilot district, to assess compliance with ISPO criteria and the impact of their agricultural activities on the environment, and to identify the necessary training. The survey will cover all farmer groups to categorize them into one of three capacity categories (A, B and C). Priority groups will be determined based on the feasibility to create a "group" of farmers who fall within the same capacity category;
2. Determine pilot training farmer groups (2 districts x 100 farmer groups for each district) together with the local government and MoA, based on predefined criteria including forest proximity;
3. Train "group leaders" and a few other key group members representing the farmer groups in order to assure the continuity of the know-how transfer process;
   a. 1.215 farmer group leaders will be trained. (600 farmer groups (3 provinces x 2 districts x 100 farmer groups/district x 3 capacity categories) x average of three group leaders from each farmer group= 1.215 farmer group leaders).
   b. Assuming 25 group leaders can be trained in one session, approximately 72 training sessions will be delivered (1.215 total group leaders/20 group leaders= 72).
4. Support direct training of pilot smallholder farmer groups, which consist of around 25-30 farmers each.

This output will also implement specific activities designed to increase plantation and production quality by increasing the supply of genuine seedlings. This will involve the establishment of a nursery pilot plan to produce palm oil from clone seeds, with high productivity per ha and high oil extraction rate (OER). Indicative activities will include:

1. Assist selected smallholder groups to achieve crop diversification and integrated farming systems utilizing farm animals; and
2. Establish a nursery pilot plan (one nursery in each selected village) to produce palm oil from good seeds, through re-planting or new planting:

a. Pilot plants can be on 1 Ha of farmer owned land or in surrounding land;
b. Planting materials or seed materials can be sourced from 12 seeds companies;
c. Farmer associations can sign collaboration agreements with seed companies;
d. The capital of this seed pilot project may be provided by the project as rolling capital or from other sources including local financial institutions

Each of the pilot activities will be supported by a technical adviser hired by the SPO project. The advisers will be responsible for monitoring and compiling progress of the activities developed in all three pilot provinces, and reporting to the "Smallholders Capacity Building" Working Group Facilitator.

Output 1.3: Smallholder partnership/cooperative initiatives piloted

This Output aims to strengthen smallholder groups/cooperatives beyond the blanket training conducted in outputs 1.1 and 1.2, and actively pursue partnerships with mills and plantations and buyers who can mutually benefit from purchasing and dealing with smallholder producing sustainable palm oil. This output will actively support the establishment of independent smallholder cooperatives.

Many plantations are unwilling to use and increase smallholder palm oil in their supply chains due to perceived increased responsibility, especially in the context of full supply chain/catchment area accountability under RSPO and ISPO.

The empowerment of smallholders can be a win-win situation for both farmers and mills/plantations. FFBs are highly perishable and need to be processed within <48 hours after harvest to maintain its food quality characteristics. Therefore, smallholders need to find middlemen and mills that are willing to guarantee to buy their products. With proper incentives and trainings, smallholders can increase their productivity, which in turn will lead to a better utilization of mills and higher profit per land area. The project will promote the increased purchase of smallholder sustainable FFBs by mills through transparent pricing mechanisms (independent and scheme smallholders gain access to district level buying prices). The project may also provide support on supply chain certification for FFBs bought by smallholders who engage in sustainable practices.

Furthermore, the project will conduct a land tenure assessment to support smallholder land certification through respective cooperatives. This will be conducted in close coordination with the National Land Agency (BPN) and local government.

Indicative activities under this output are as follows:

1. Conduct a comprehensive farmer survey to identify the status of palm oil farmer cooperatives in each district, including identifying their presence and levels of effectiveness or if they are now defunct. This may run in parallel with the farmer survey in Output 1.2;
2. Provide additional training to group leaders and support the establishment or strengthening of farmer cooperatives in pilot districts;
3. Empower and/or facilitate cooperatives to create strategic partnerships with mills and plantations to improve livelihoods, produce quality palm oil and address environmental concerns;

4. Create a price database to be aligned with the prices issued by the province regulatory body (Dinas Perkebunan) and compare it with the prices paid by plantations and mills to smallholders. Both prices should be displayed daily on public announcement boards;
5. Develop a land tenure assessment to support smallholder land certification through respective cooperatives. This will be conducted in close coordination with National Land Agency (BPN) and the local government;
6. Provide access to cooperatives to the "revitalization fund" to replant palm oil trees either independently or through the one gate policy (in partnership with a larger plantation); and
7. Enter into partnership agreement with smallholder cooperatives to reduce expansion into forests by plantations.

All smallholder and cooperative support activities are based on fully consulted cooperation agreements which clearly state that support is conditional on cooperatives/farmers adhering to environmental and/or social standards set by the safeguard committee.

Output 2: Environment management and monitoring: ISPO Strengthened to protect forest, enhance biodiversity conservation and mitigate and monitor GHG emissions

While the palm oil industry is an important sector of economic growth for Indonesia, NGOs are increasingly making allegations that the sector is having adverse impacts on the environment, including causing deforestation, loss of biodiversity and increases in Greenhouse Gas (GHG) emissions. The SPO project attempts to address these environmental concerns by strengthening the ISPO framework with policy interventions and pilot projects.

Output 2.1: Strategic assessment of land conversion conducted

The three pilot provinces of Riau, South Sumatra and West Kalimantan are currently facing rapid deforestation and land conversion as shown in Annex II attached. There are many speculations and allegations about the drivers of these land conversions; however, few have been verified by the Government of Indonesia (GOI).

Indicative activities are as follow:

1. Data assessment of forest coverage change and land conversion from 1980 to 2010 for each district;
2. Analysis of the drivers of land conversion such as smallholders, palm oil plantations, timber industry, and population growth to understand linkages and possible mitigation strategies;
3. Assessment of GHG emissions from palm oil production, processing and operation, including land use change linked to palm oil.

These assessments will be used to understand, among other things, the existing conditions and the extent of impact of palm oil on land conversion, and based on this information, the project will propose policy level interventions and pilot projects related to sustainable palm oil as further described below.

Output 2.2: Protection of biodiversity strengthened

This sub-output will seek to mainstream protection of biodiversity into the planning process.

Biodiversity Protection

Indonesian regulations on biodiversity conservation and Protected Areas are intended to conserve forests and biodiversity; however, differences in the uses of terminology between the domestic and international conventions and understandings have created some confusion among those trying to protect biodiversity.

Under this output, Indicative activities are as follows:

Conduct a joint study between RSPO secretariat and ISPO secretariat on the differences between the HCV scheme and the legal provisions on Protected Areas under Presidential Decree No. 32/1990 and Biodiversity Law. The joint study will also identify any other existing challenges concerning conservation of biodiversity in connection with palm oil plantations;

Conservation of forested land within concessions

In theory, forests with high levels of biodiversity/endangered species should be classified as conservation forests and not released from the forest estate for productive uses. However, in practice many plantations sizeable forests within their concessions, and The Environment Working Group of the SPO national platform is expected to develop recommendations on how to address this issue. The Regents (Bupatis) in the pilot districts are important stakeholders in this respect.

Indicative activities specific to smallholders are as follows:

1. Awareness raising of smallholders and relevant stakeholders of the adverse effects of losing biodiversity, environmental damage and increasing GHG emissions;
2. Work with cooperatives and local non-governmental institutions to monitor that farmers or others do not encroach illegally into the forest to expand oil palm plantations;
3. Support smallholders to have a stronger relationship with the local level Natural Resources Conservation Agency / Balai Konservasi Sumber Daya Alam (BKSDA)

The third indicative activity mentioned above includes informing the local BKSDA – for collection if necessary – when animals are found in plantations, thus preventing the unnecessary killing of wild animals. Smallholder organizations will also be urged to sign an MOU with BKSDA and the District Government office of the Ministry of Forestry. Furthermore, BKSDA should inform smallholders of the names and pictures of rare wild animals in the protected area; together with safety measures if animals are found in the vicinity of human habitats/plantations.

Utilizing 'Open' or 'Degraded' Lands

There are claims that palm trees planted on degraded land can produce as much palm oil as those on other types of land; therefore, the use of degraded land could further reduce the impact of palm oil on the environment. However, the existing legal

framework in Indonesia does not provide any incentives to the smallholders or companies to utilize the degraded or marginalized land for palm oil. For example, Government Regulation PP No. 10/2010 as amended by PP No. 60/2012 and No. 61/2012 on forest areas encourages land swap between two fertile lands, but it does not legally provide for land exchange between fertile land and degraded land. This means that even if a portion of the palm oil concession is found to have rich forest, the holder of HGU does not have any legal basis or incentive to swap the fertile portion of land with degraded land. This issue will also be discussed under the national platform Environment working group and recommendations will be made for the Ministry of Agriculture and other relevant institutions to consider.

Output 2.3: GHG emissions reduced through policy intervention

This output will take the emission data collected in Output 2.1 above, and establish a credible Government endorsed GHG emission study on GHG emissions/savings from palm oil production, processing and operations including indirect land use change by plantations and mills. Indicative activities under this sub-output include the following:

1. Develop a methodology for monitoring peatland GHG emissions calculation combining satellite/remote sensing images and water table measurements;
2. Based on the GHG measurements collected, establish a maximum allowable threshold of GHG emission in connection with the opening of a new plantation in peatland as well as in connection with any land use and land use change for palm oil. This will potentially be added to the ISPO regulations to ensure compliance of all palm oil operations in Indonesia;
3. The project will support pilot GHG emission reduction projects with partnering companies. Pilot projects may include methane-capturing methodology, measurement of GHG emission from land use and indirect land use change, emission saving activities such as adjustment of water levels in peatland, and implementation of methane capture in the lagoon fill with POME (an artificial pool for the treatment of effluents). This output may also start the voluntary reporting of GHG emission reductions by companies to pilot a GHG emission reduction reporting scheme.

Output 2.4: Pilot projects implemented

Following the policy framework set forth in Output 2.2 above, several pilot activities will be initiated to address specific challenges faced by each of the four different land conversion modalities as shown in the table below. The exact nature and scope of these pilot activities will be determined based on the outcomes of outputs 2.1 through 2.3 above. The project will also coordinate and obtain information on various other pilot activities in Indonesia related with palm oil to explore opportunities for synergy with the existing projects, including the RSPO initiatives.

	Smallholders	Corporation
Legal conversion	Smallholders may have legal title to the land, but often have limited access to finance, and agro-inputs and their productivity remains low. Their level of awareness on environmental concerns is low.	Large concessions may contain forest land rich in diversity. The current regulatory system does not provide sufficient mechanism to protect these lands within concession areas.

	Smallholders	Corporation
Encroachment/illegal conversion	Some smallholders, in hopes of increasing their future income from planting palm trees, find new land by encroaching upon forested land nearby. Often, encroachment occurs in the protected area.	There is no clear understanding of the extent of illegal conversion by corporations, and this data is not being maintained.

Table 6: Land conversion modalities and challenges faced by farmers under each modality

Legal conversion by smallholders

Nearly one third of the palm oil production in Indonesia comes from smallholders, and yet the productivity of many of these smallholders is low, which in turn results in low level of livelihoods and environmental management. To address these challenges, this project will conduct pilot activities focusing on the following:

1. Seek to strengthen cooperatives/farmers groups for smallholders and encourage legalization of smallholder operations. This is similar to Output 1.3, to ensure members of a cooperative/farmers group benefit, such as increased access to finance, better seeds and other agro-inputs to be provided in return for sound environmental management.

2. As discussed in Output 1, the project will also train the extension workers/district facilitators for palm oil smallholders on ISPO, environmental protection and biodiversity conservation.

Encroachment on forest by smallholders

Many smallholders have limited access to resources and as a result many have only limited legal title to the land they cultivate. This is the case even when farmers have been working on the land for many years. NGOs allege that some smallholders illegally encroach upon nearby forest areas. Therefore, this project proposes the following pilot projects to address challenges faced by these smallholders:

1. Work with the smallholder cooperative/farmer groups to deter future encroachment on forests through training and other livelihood opportunities;
2. Work with DINAS to explore possibility to grant legal status to the existing squatters within certain forested land in exchange for their agreement not to further encroach upon nearby forested land and properly maintain the land granted to them;
3. Collaborate with MoF to identify areas with land disputes, analyze and understand the issue, and assist the smallholders in moderating the land disputes with local land authorities.

Output 3: Governance and mediation: Social responsibility facilitated, empowering related communities and mediation systems

Acknowledging the existence of various local conflicts between palm oil operators and local or traditional communities, and also considering ISPO system requirements on 'Land dispute and compensation' (ISPO Criteria No. 1.5), this Output aims to (1)

support independent smallholders to obtain legal land status and (2) strengthen mediation between stakeholders and ensure that oil palm plantations and mills are free from disputes with nearby communities or smallholders. Since the cause of disputes in the palm oil sector are mostly land use/land title related, there is also a need to coordinate with Government institutions responsible for land titling such as BPN (National Land Agency), and synergize with efforts to support smallholders on land titling under Output 1.

Output 3.1: Support to the independent smallholders provided to obtain legal land status

Smallholders often lack incentive to invest in their existing land because they lack secure land tenure. This in turn, results in low productivity, and a tendency to open up new land when their existing land becomes infertile or less productive. Moreover, land tenure is a prerequisite for ISPO and RSPO certification, and plantations find it more difficult to include those smallholders into their supply chain if their land title is unclear. Therefore, securing land tenure is essential for addressing the root cause of unsustainable palm oil practices by the smallholders.

Indicative activities will include:

1. Provide support to independent smallholders to obtain legal land status;
2. Develop a government system to support smallholder's land title;
3. Provide support necessary to obtain land title certificate/ official letters.

Output 3.2: Mediation capacity strengthened

Functioning mediation systems are crucial for a fair and equitable palm oil industry, and are important to resolve disputes and prevent conflicts from escalating. The aim of this sub-output is to strengthen existing mediation mechanisms.

Indicative activities include:

1. Conduct a baseline survey in the pilot districts and potentially in the three pilot provinces to assess existing mediation capacity and also the level and severity of conflicts around palm oil plantations. This may be carried out together with the surveys under Output 1;
2. Decide with relevant local Government counterparts on the action plan to strengthen the capacity of local government mediation task forces (TP3);
3. Raise awareness of local governments and palm oil companies on local/customary community rights;
4. Information brought forward by stakeholders such as Sawit Watch, and also issues presented by RSPO, will be carefully assessed and deliberated under the SPO national and provincial platform Governance working group.

Output 4: ISPO framework reinforced and ISPO standards clarified for wider acceptance

The strategy of the SPO project is to work through ISPO to promote sustainable palm oil in Indonesia. As ISPO is mandatory, it is applicable to all palm oil operations in Indonesia ranging from smallholders to large plantations. Furthermore, ISPO is a

compilation of existing legislation implying that the components of ISPO are in line with national priorities. This also means compliance is mandated by law.

The objective of this output is to support ISPO to operationalize quickly in the short term by facilitating awareness raising and communication with stakeholders, and in the medium term to facilitate discussions with international actors to clarify ISPO in terms of international sustainability standards. The targets of this output are to:

1. Assist the endorsement of ISPO by the global community, including the European Renewable Energy Directive and the Environment Protection Agency's Renewable Fuel Standard (RFS); and
2. Make publicly available (online) all relevant ISPO information such as ISPO requirements, principles, and certification results (grouped by plantation types).

Output 4.1: ISPO socialized and guidelines refined

ISPO compliance is mandatory for all plantations in Indonesia. As of 2013, ISPO implementation is still in an early stage, consequently many companies are not completely familiar with the compliance mechanism. Recognizing that ISPO will level the playing field for all palm oil operations in the direction of sustainable palm oil, and make it easier for other certification schemes or initiatives to be adopted, SPO will support MoA to socialize ISPO through workshops, seminars, platform meetings and awareness raising campaigns. Inputs received from those activities will feed back to the ISPO secretariat to support on-going development of ISPO guidelines, especially with regards to emerging areas such as GHG emission management and smallholder certification.

ISPO currently has a website, but does not have dedicated communication capacity with the necessary institutional experience to work with a number of companies to achieve the ISPO policy target. The project will support the socialization of ISPO, including potentially through mass-communication campaigns.

Indicative activities are as follows:

1. Develop an introductory ISPO technical guideline booklet, with guidance from the ISPO secretariat and support from the project's legal and communication experts;
2. Support the ISPO secretariat in conducting workshops with stakeholders to ensure in-depth discussions on how to achieve ISPO compliance. Workshops could also be conducted within the framework of the SPO platform working group on ISPO;
3. Support the ISPO secretariat to conduct studies to strengthen the implementation and monitoring of ISPO key criteria such as GHG emissions and protected forests;
4. Support the ISPO secretariat to develop and implement a mass-communication strategy including improving the ISPO website and/or information carried on the SPO platform website;
5. Support the dialogue between ISPO and key international actors, such as EU and the US, with the view of clarifying underlying assumptions to eventually enable ISPO to become internationally recognized as a certified sustainable palm oil scheme. The project will also further collaborate with the Roundtable on Sustainable bio fuel, EU RED and RSPO RED.

The project will also support ISPO and RSPO to collaborate on reducing the burden of plantations to follow multiple certification processes. This potentially includes

streamlining certification for both schemes, taking into account that ISPO is mandatory and based on law and therefore cannot be altered as such.

Output 4.2: ISPO management strengthened to improve supply chain traceability

ISPO has already implemented a supply chain certification system, but the project may support palm oil end user's collaboration with plantations and other parties on pilot activities to support the development of a third party certification mechanism that includes supply chain traceability approach, if endorsed by the national platform ISPO working group. Indicative activities that may be included under this output are as follows:

1. Conduct feasibility study on the challenges/costs and benefits of supply chain traceability for ISPO certified palm oil;
2. Pilot ISPO certification and traceability initiatives with plantations/mills and international buyers; and
3. Support activities for certified palm oil supply chain.

Output 5: National and provincial platforms established to ensure transparency in support of the SPO initiative to promote sustainable palm oil

The SPO project aims to establish sustainable palm oil platforms at national and provincial levels to ensure transparency, and also to receive inputs from stakeholders on issues such as smallholder support, environmental integrity, governance and dispute resolution, ISPO and any other related issues.

Output 5.1: Establish and operationalize National SPO Platform

The SPO national platform is a mechanism for the government, supported by UNDP, to bring together the public and private sector, as well as other relevant stakeholders, to collectively promote sustainable production of palm oil at country level and to support ISPO certification.

As shown in the platform diagram below (Figure 3), the key function of the platform is to provide an umbrella structure for the other four outputs discussed above, and compile all the information and lessons learned from each working group so that key public, private and NGO sectors can align, take ownership and develop joint actions to mitigate the potentially negative social and environmental impacts of palm oil production and maximize its productivity. National platform support staff will be hired to coordinate and facilitate the discussions within each working group. They will also be responsible for keeping participants and relevant stakeholders informed of key decisions made in each working group and the progress of each working group towards advancing their outputs. The following table shows the key members of the national platform:

Public Sector	Public sector institutions: MoA, MoF, MoE, BAPPENAS, Ministry of Cooperatives and Small and Medium Enterprise, National Land Agency (BPN), Ministry of Trade, National Standardization Agency (BSN) Local governments
Private Sector	Producers, buyers, traders, retailers, Producers associations, chambers of commerce, cooperatives, international commodity organizations, Banking or

	financial entities that provide financing for production of palm oil
NGOs/CSOs	NGOs (international and domestic) involved in the palm oil sector in either support or "watchdog" roles: The Prince's Rainforest Project, WWF, Greenpeace, Solidaridad, Sawit Watch Other Certification schemes: RSPO, ISCC Research institutions and organizations: Indonesian universities, German Development Institute (DIE) Smallholder organizations, cooperatives
Donors	Donor governments

Table 7: The key members of the national platform

Activity

National platform meetings will be held at least once a year and may be held more frequently during the initial phase or as important issues arise. Plenary sessions consist of presentations of issues discussed during working group meetings and will have the opportunity to contribute to defining a model for responsible production and trade of palm oil in Indonesia.

Working Groups (WG)

SPO platform working groups are smaller committees formed by platform members who have expertise or a specific mandate regarding a particular issue.

The SPO project will initially establish four working groups to take the lead on discussions and activities for each output mentioned in this project document. These working groups will convene regularly and report back to the plenary.

Task Force

Members of the task force will carry out activities under each working groups such as study/ research and formation of curricula (Smallholders capacity building for instance), collect information on smallholders problems on environment issues (Environment) and land disputes or other type of disputes (Governance and Mediation). The task force for ISPO Standard working group will consist of the members of ISPO Secretariat.

Output 5.2: Establish and operationalize Provincial SPO Platform

Provincial platforms will be established in Riau, South Sumatra and West Kalimantan. These Platforms will be hosted by the local government, including Dinas Perkebunan and provincial planning agency (BAPPEDA) and will have vertical ties to the National Platform, which is hosted by MoA. At the provincial level the platforms will serve as a forum to share best practices and raise any local issues, with the view of facilitating effective implementation of SPO activities and ISPO certification.

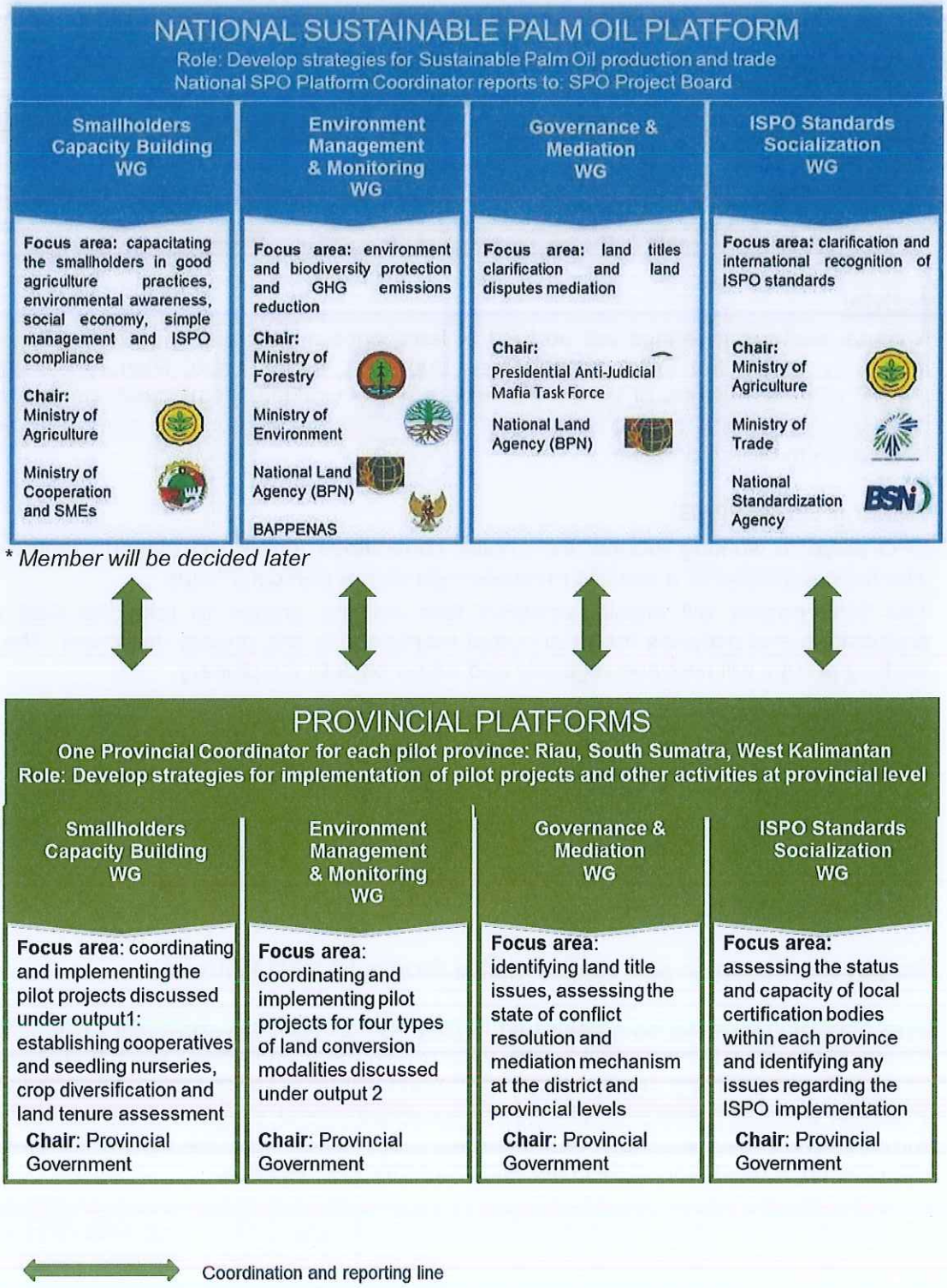


Figure 3: Organization Structure of Sustainable Palm Oil Platforms

4. Results and Resources Framework

Project Results and Resources Framework
Project title: Sustainable Palm Oil Initiative
ID (ATLAS Award ID):
Intended Outcome as stated in the Country Programme Results and Resource Framework:
1.1. National and sub national authorities and stakeholders are more effective in reducing poverty and vulnerability, particularly in UNPDF provinces and districts
2.1. Responsible national institutions and relevant stakeholders are more effective in managing environmental resources and addressing environmental pollution
Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:
1.1.1.3. Number of MOUs and important joint initiatives between GOI and private sector established through the framework of PPP-CSR for poverty reduction in 3 provinces
2.1.1.3. Local/regional policy framework on promoting public/private/community partnership mechanisms for the management of forests and watersheds

INTENDED OUTPUTS	OUTPUT TARGETS FOR 2014-2018	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
Output 1 Smallholder ISPO certification processes strengthened by focusing on GAP and environmental protection **Indicators:** (i) Availability of dedicated palm oil extension workers in all pilot districts in the three pilot provinces; (ii) Number of smallholders reaching a sufficient level of knowledge and awareness in ISPO compliance, (iii) Degree to which smallholder cooperatives are developed and pilot initiatives are implemented to increase	**Targets** (i) At least five extension workers trained in (1) GAP and GMP, (2) legal and land title issues, (3) environment, (4). Management and financing, and (5) ISPO certification, for every pilot province and if possible extension workers available in all 6 pilot district (ii) Farmers to be ISPO certified in all 6 pilot districts. At least 80% of smallholders trained reach a satisfactory level of capacity, knowledge (measure by questionnaires conducted annually)	1.1: Extension worker/district facilitator system strengthened at provincial and district levels (i) Baseline assessment of current extension worker system capacity in terms of human resources and expertise in the three provinces and pilot districts; (ii) Determine priority training modules and recipients, (Coordinate with provincial governments); (iv)Appointment/hire extension workers and supporting officers	MoA Cooperatives/ farmer groups DINAS Head of District BPN UNDP	**7,000,000 USD** Local Consultant Travel Contractual Services - Companies Info. Tech Equipment Supplies Materials and Goods Miscellaneous

INTENDED OUTPUTS	OUTPUT TARGETS FOR 2014-2018	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
smallholder productivity and to decrease deforestation. (iv) Smallholders gain fairer selling process and improved margins **Baseline:** (i) There is no extension worker who is specifically trained on palm oil and ISPO certification (ii) No smallholders certified under ISPO (iii) Few independent farmer cooperatives with enough capacity to address productivity and environmental concerns (iv) No clear price transparency mechanisms exist	capacity to be certified under ISPO; (iii) Establishment/strengthening of at least one smallholder cooperatives and implementation of one or more pilot initiatives, with increased productivity and reduced deforestation against baseline scenarios. (Productivity increases will be quantified once a baseline is established). (iv) Price transparency mechanisms developed and smallholders gain fairer selling prices and improve margins	(v) Provide training to extension workers and district facilitators 1.2 Smallholder capacity strengthened to increase the productivity and sustainability of their agri-businesses (i) Conduct surveys and assessment on smallholders in the pilot districts ; (ii) Develop a training syllabus including ISPO compliance, GAP, environment awareness, simple management and social economy to be used with the farmers; (iii) Provide training to the farmers and additional trainings to their group leaders, according to the training implementation plan developed during the survey/assessment phase; (iv) Assist selected smallholder groups to achieve crop diversification and integrated farming systems (v) establish a nursery pilot plan 1.3 Smallholder partnership/ cooperative initiatives piloted (i) conduct a survey to identify the status of palm oil farmer		

INTENDED OUTPUTS	OUTPUT TARGETS FOR 2014-2018	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
		cooperatives; (ii)provide additional training to group leaders and support the establishment/strengthening of farmer cooperatives; (iii)create strategic partnerships with mills and plantations to market the supply of FFB with good prices (iv) Create a price data base to be aligned with the prices issued by the province regulatory body and develop during buying and selling (v)Develop a land tenure assessment to support smallholder land certification; (vi) provide access to cooperatives to the revitalization fund (vii)Enter into a partnership agreement to reduce expansion into forests by plantations		
Output 2 Environment management and monitoring : ISPO Strengthened to protect forest, enhance biodiversity conservation and mitigate and monitor GHG emissions **Indicators:** (i)Strategic assessment on land	**Targets:** (i).Develop a comprehensive database on land conversion, including key drivers such as palm oil (which is fully endorsed and adopted by the GOI); (ii) Develop policy interventions addressing land conversion, biodiversity conservation and GHG reduction, and have the GOI	2.1 Strategic assessment of land conversion conducted: (i) Collect data on the forest cover trend from 1980 to 2010; (ii) Analyze data and assess the key drivers of deforestation and land conversion; (iii) Assess GHG emissions from palm oil production, processing	UNDP	**4,000,000 USD** International Consultant Local Consultant Contractual Services - Companies Travel Info. Tech Equipment Supplies Workshops

INTENDED OUTPUTS	OUTPUT TARGETS FOR 2014-2018	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
conversion by smallholder conducted and endorsed by relevant line ministers; (ii) Policy interventions by relevant line ministries and local governments; (iii) Clarity on GHG emissions related to palm oil operations (iv) *Number of pilot project implemented in each province* **Baseline:** (i) There are No government endorsed -comprehensive data on land conversion; (ii) Limited legal and regulatory framework to address palm oil operation associated land conversion and GHG emissions; (iii) Limited Government endorsed knowledge base on palm oil associated GHG emissions (iv) No pilot project being implemented in provinces specifically implementing policy interventions	endorse the interventions; (iii) Develop GHG emission calculation on large oil palm plantation and smallholder plantation including GHG emission from peat land planted with palm oil. This includes methane, emitted from peatlands as well as from palm oil effluent (POME); (iv) at least one pilot project implemented to test the proposed policy intervention	and operation 2.2 Protection of biodiversity strengthened: (i)conduct a joint study between RSPO and SIPO secretariat, and if appropriate, make recommendations to amend Presidential Decree No. 32/1990 to include the HCV principle (ii) Awareness raising of smallholders and relevant stakeholders of the adverse effects of losing biodiversity, environmental damage and increasing GHG emissions; (iii) work with cooperatives and local institutions to monitor illegal encroachment (iv) support smallholders to have a stronger relationship with BKSDA (iv) encourage the use of degraded land. 2.3 GHG emissions reduced through policy intervention (i) develop a methodology for monitoring peatland GHG emissions (ii) establish a maximum allowable threshold (iii) support pilot GHG emission reduction projects		Materials and Goods Miscellaneous

INTENDED OUTPUTS	OUTPUT TARGETS FOR 2014-2018	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
		2.4 Pilot projects implemented with local government/plantations to address challenges on land conversion. Types of land conversion addressed in pilot project will include (i) legal conversion by smallholders (2) encroachment of forest by smallholders, and (3) legal conversion by plantations.		
Output 3 Governance and mediation: Social responsibility facilitated , empowering related communities and mediation systems **Indicators:** (i) Availability of support system for independent smallholders to obtain legal land title (ii) Availability of mediation mechanisms in 6 pilot districts; (iii) Availability of mechanisms to collate and make available information on ongoing disputes. **Baseline** (i) No organized support system for independent smallholders to obtain	**Targets:** (i) Support system for independent smallholders to obtain legal land status in place in each pilot district; (ii) Mediation mechanisms covering 6 districts project are in place and operational; (iii) Mechanism in place to compile relevant dispute information serving as key reference for ISPO operation.	3.1 Support to the independent smallholders provided to obtain legal land status (i) Provide support to independent smallholders to obtain legal land status: (ii) Develop a government system to support smallholder's land title: (iii) provide support necessary to obtain land title certificate/official letters 3.2 Mediation capacity strengthened (i) Conduct baseline survey in three pilot provinces on existing mediation capacity and also severity of conflicts around oil	UNDP	**700,000 USD** Local Consultant Travel Contractual Services Companies Info. Tech Equipment Supplies UNV Materials and Goods Miscellaneous

INTENDED OUTPUTS	OUTPUT TARGETS FOR 2014-2018	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
legal land title in place (i) Mediation capacity in Indonesia said to be low (baseline information lacking); (ii) No systematic mechanism to track dispute related compliance with ISPO guidelines.		palm plantations (this may be carried out together with surveys under Output 1); (ii) Decide with relevant local Government counterparts on the action plan to strengthen the capacity of local government mediation task forces (TP3); (iii) raise awareness of local governments and palm oil companies on local/customary community rights (iv) allegations assessed and deliberated under the SPO national and provincial platform .		
Output 4 ISPO framework reinforced and ISPO standards clarified for wider acceptance **Indicators:** (i) Level of acceptance of ISPO certified palm oil at international level; (ii) Existence of pilot ISPO certification and traceability initiative **Baseline:** ISPO standards have not been completely clarified with key	**Targets:** (i). ISPO is endorsed by the global community, including the EU commission, include European Renewable Energy Directive and the Environment Protection Agency's (EPA) office And other big byer organization such RSPO, RSB Renewable Fuel Standard (RFS) and RSPO+RED; (ii)Pilot at least one ISPO traceability initiative	4.1 ISPO socialized and guidelines refined (i) Develop ISPO technical guideline booklet and distribute to stakeholders; (ii)Conduct workshops on awareness raising of ISPO; (iii) Conduct studies to strengthen the implementation and monitoring of ISPO key criteria (iv)Develop and implement a mass-communication strategy 4.2 SPO management strengthened to improve supply chain traceability	UNDP	**1,300,000 USD** International Consultant Local Consultant Travel Contractual Services - Companies Info. Tech Equipment Supplies Materials and Goods Miscellaneous

INTENDED OUTPUTS	OUTPUT TARGETS FOR 2014-2018	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
international institutions; (i) Certification result are published .on website only but should be published on wider basis. (ii)Little information or understanding on ISPO palm oil traceability		(i)Conduct feasibility study on the challenges/costs and benefits of supply chain traceability for ISPO certified palm oil; (ii)Pilot ISPO certification and traceability initiatives with plantations/mills and international buyers (ii) Support activities for certified palm oil supply chain		
Output 5 National and provincial platforms established to ensure transparency in support of the SPO programme to promote sustainable palm oil **Indicators:** (i)Existence of functioning national multi-stakeholder platforms, hosted by the Ministry of Agriculture; (ii) Existence of functioning provincial multi-stakeholder platforms, hosted by Provincial Governments. **Baseline:** (i) No national multi-stakeholder palm oil coordination platform I on ISPO is available; (ii) No provincial multi-stakeholder palm oil coordination p platform share available.	**Targets:** (i) One national multi-stakeholder palm oil platform is established and operational; (ii) Three provincial multi-stakeholder palm oil platforms are established and operational.	5.1 Establish and operationalize national SPO platforms (i) Provide logistical support for periodic meetings [10 meetings (2 meetings/year x 5 years)] including venue, travel etc.; (ii)Hire coordinators and ad-hoc support required for operation of platforms. 5.2 Establish and operationalize provincial SPO platforms (i) Provide logistical support for periodic meetings [30 meetings (3 provinces x 2 meetings/year x 5 years)] including venue, travel etc.; (ii) Hire coordinators and ad-hoc support required for operation of platforms.	MoA UNDP	**2,500,000 USD** Travel Info. Tech Equipment Supplies Materials and Goods Miscellaneous

5. ANNUAL WORK PLAN (2014-2018)

Award ID:	00082941	Project ID:	00091615
Award Title:	SPO (PALM OIL)		
Business Unit:	IDN10		
Project Title:	Sustainable Palim Oil Initiative		
PIMS no:			
Implementing Partner	Ministry of Agriculture		

AWP 2014

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
Output 1 Smallholder ISPO certification processes strengthened by focusing on good agriculture practices and environment protection **Baseline:** (i) There is no extension worker who is specifically trained on palm oil and ISPO certification; (ii) No smallholders certified under ISPO; (iii) Few independent farmer cooperatives with enough capacity to address productivity and environmental concerns; (iv) No clear price transparency mechanism exists; **Indicators:** (i) Availability of dedicated palm oil extension workers in all pilot districts in the three pilot provinces; (ii) Number of smallholders reaching a sufficient level of knowledge and awareness in ISPO compliance; (iii) Degree to which smallholder cooperatives are developed and pilot initiatives are implemented to increase smallholder productivity and to decrease deforestation; (iv) Smallholders gain fairer selling process and improved margins; **Target 2014** 1. Conduct baseline assessments, develop training materials, identify recipients. 2. ISPO certification programme socialised through cooperatives and farmer groups; conduct smallholder survey and assessment; certification processes and training syllabus and	1.1.	Extension worker/district facilitator system strengthened at provincial and district levels	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD UNDP GCP IKEA	71300	LocalConsultants	$104,000
	1.2.	Smallholder capacity strengthened	X	X	X	X			71600	Travel	$59,000
	1.3.	Smallholder partnership/ cooperative initiatives piloted	X	X	X	X			72300	Materials&Goods	$32,000
									74500	MiscellaneousExpenses	$47,000
									75700	Training,WorkshopsandConfer	$73,000
	TOTAL OUTPUT 1										**$315,000**

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
materials ready for effective implmentation in 6 pilot districts. 3. Conduct survey on palm oil farmer cooperatives; develop materials on farmer cooperatives; develop materials for strategic partnerships; create a price database; develop a land tenure assessment; socialization of revitalization fund; prepare materials for partnership agreement with plantations.											
Output 2 Environment management and monitoring: ISPO Strengthened to protect forest, enhance biodiversity conservation and mitigate and monitor GHG emissions **Baseline:** (i) There are no government endorsed-comprehensive data on land conversion; (ii) Limited legal and regulatory framework to address palm oil operation associated land conversion and GHG emissions; (iii) Limited Government endorsed knowledge base on palm oil associated GHG emissions; (iv) No pilot project being implemented in provinces specifically implementing policy interventions; **Indicators:** (i)Strategic assessment on land conversion by smallholder conducted and endorsed by relevant line ministers; (ii) Policy interventions by relevant line ministries and local governments; (iii) Clarity on GHG emissions related to palm oil operations; **Target 2014** 1. Conduct analysis of forest cover trend and conduct assessment of GHG emissions. 2. Conduct comparison study between RSPO and ISPO and provide recommendations for policy amendments. 3. Develop monitoring system on GHG emissions. 4. Develop land conversion systems with local government and plantation.	2.1.	Strategic assessment of land conversion conducted	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD	71300	LocalConsultants	$20,000
	2.2.	Protection of biodiversity strengthened	X	X	X	X			71600	Travel	$4,500
	2.3.	GHG emissions reduce through policy intervention							74500	MiscellaneousExpenses	$500
	2.4.	Pilot projects implemented with local government/plantation to address challenges on land conversation							75700	Training,WorkshopsandConfer	$15,000
	TOTAL OUTPUT 2										**$40,000**
Output 3 Governance and mediation: facilitate social responsibility, empowering related communities and mediation systems	3.1.	Support to the independent smallholders provided					NGOs Provincial and District	UNREDD	74500	MiscellaneousExpenses	$5,000

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
Baseline: (i) No organized support system for independent smallholders to obtain legal land title in place; (ii) Mediation capacity in Indonesia said to be low (not all the cases reported); (iii) No systematic mechanism to track dispute related compliance with ISPO **Indicators:** (i) Availability of support system for independent smallholders to obtain legal land title; (ii) Availability of mediation mechanisms in 15 pilot districts; (iii) Availability of mechanisms to collate and make available information on on-going disputes; **Target 2014** 1. Develop government system to support smallholder's land title. 2. Conduct baseline survey for three (3) pilot provinces on existing mediation capacity and severity of conflicts around palm oil plantations.		to obtain legal land status					Government UNDP				
	3.2	Mediation capacity strengthened	X	X	X	X					
	TOTAL OUTPUT 3										**$5,000**
Output 4 ISPO framework reinforced and ISPO standards clarified for wider acceptance **Baseline:** (i) ISPO standards have not been completely clarified with key international institutions;	4.1.	ISPO socialized and guidelines refined					NGOs Provincial and District Government UNDP	UNREDD	71300	LocalConsultants	$25,000
	4.2.	ISPO management strengthened to improve supply chain traceability	X	X	X	X			75700	Training,WorkshopsandConfer	$15,000
	TOTAL OUTPUT 4										**$40,000**

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
(ii) Certification results are published on website only but should be published on wider basis; (iii) Little information or understanding on ISPO palm oil traceability; **Indicators:** (i) Level of acceptance of ISPO certified palm oil at international level; (ii) Existence of pilot ISPO certification and traceability initiative **Target 2014** 1. Develop ISPO technical guideline booklet and distribute to stakeholders; including studies to strengthen the implementation and monitoring of ISPO key criteria. Develop mass-communication strategy. 2. Conduct feasibility study on the challenges/costs and benefits of supply chain traceability for ISPO certified palm oil;										
Output 5 National and provincial platforms established to ensure transparency in support of the SPO initiative to promote sustainable palm oil **Baseline:** (i) No national multi-stakeholder palm oil coordination platform on ISPO is available; (ii) No provincial multi-stakeholder palm oil coordination platform is available. **Indicator:** (i)Existence of functioning national multi-stakeholder platforms, hosted by the Ministry of Agriculture; (ii) Existence of functioning provincial multi-stakeholder platforms, hosted by Provincial Governments **Target 2014** 1. Establish and operationalize the SPO National Platform. 2. Establish and operationalize the SPO Provincial Platform.	5.1	Establish and operationalize national SPO platform	X	X	X	X	UNDP	UNREDD UNDP	71300	LocalConsultants	$167,000
	5.2.	Establish and operationalize provincial SPO platform							74500	MiscellaneousExpenses	$9,000
									75700	Training,WorkshopsandConfer	$24,000
	TOTAL OUTPUT 5										**$200,000**
TOTAL AWP 2014											$552,000
TOTAL GMS 2014											$48,000
GRAND TOTAL AWP 2014											$600,000

AWP 2015

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
Output 1 Smallholder ISPO certification processes strengthened by focusing on good agriculture practices and environment protection **Baseline:** (i) There is no extension worker who is specifically trained on palm oil and ISPO certification; (ii) No smallholders certified under ISPO; (iii) Few independent farmer cooperatives with enough capacity to address productivity and environmental concerns; (iv) No clear price transparency mechanism exists; **Indicators:** (i) Availability of dedicated palm oil extension workers in all pilot districts in the three pilot provinces; (ii) Number of smallholders reaching a sufficient level of knowledge and awareness in ISPO compliance; (iii) Degree to which smallholder cooperatives are developed and pilot initiatives are implemented to increase smallholder productivity and to decrease deforestation; (iv) Smallholders gain fairer selling process and improved margins; Target 2015 1. Six (6) extension workers and district facilitators trained, at the piloted district. Training materials include (1) GAP and GMP, (2) legal and land title issues, (3) environment, (4) Management and financing, and (5) ISPO certification. 2. Six (6) cooperatives receive ISPO certification within the six (6) pilot districts. Ensure that selected smallholder groups to achieve crop diversification and integrated farming systems; and establish a nursery pilot plan. 3. Train six (6) farmer cooperatives to strengthen their operations; two (2) farmer cooperatives signs FFB supply agreement with two (2) mills/plantations ; signing of two (2) cooperatives to the revalization fund; signing of two (2) partnership agreements with plantations to reduce expansion into forests.	1.1.	Extension worker/district facilitator system strengthened at provincial and district levels	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD UNDP GCP IKEA	71300	Local Consultants	$356,000
	1.2.	Smallholder capacity strengthened	X	X	X	X			71600	Travel	$286,000
	1.3.	Smallholder partnership/ cooperative initiatives piloted	X	X	X	X			72100	Contractual Services-Companies	$130,000
									72200	Equipment and Furniture	$65,000
									74100	Professional Services	$81,000
									74500	Miscellaneous Expenses	$228,250
									75700	Training, Workshops and Confer	$510,000
	TOTAL OUTPUT 1										**$1,656,250**
Output 2 Environment management and monitoring: ISPO Strengthened to protect forest, enhance biodiversity conservation and mitigate	2.1.	Strategic assessment of land conversion conducted	X	X	X	X	NGOs Provincial and District	UNREDD	71300	Local Consultants	$221,000

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
and monitor GHG emissions **Baseline:** (i) There are no government endorsed-comprehensive data on land conversion; (ii) Limited legal and regulatory framework to address palm oil operation associated land conversion and GHG emissions; (iii) Limited Government endorsed knowledge base on palm oil associated GHG emissions; (iv) No pilot project being implemented in provinces specifically implementing policy interventions; **Indicators:** (i)Strategic assessment on land conversion by smallholder conducted and endorsed by relevant line ministers; (ii) Policy interventions by relevant line ministries and local governments; (iii) Clarity on GHG emissions related to palm oil operations; **Target 2015** 1. Monitor forest cover trend and GHG emissions in two (2) districts. 2. Train six (6) smallholder cooperatives on environmental awareness and have stronger relationship with BKSDA. 3. Support one (1) GHG emission reduction project. 4. Support one (1) smallholder legal conversion and prevention of forest encroachment; support one (1) legal conversion by plantation.	2.2.	Protection of biodiversity strengthened	X	X	X	X	Government UNDP		71600	Travel	$29,000
	2.3.	GHG emissions reduce through policy intervention	X	X	X	X			72100	Contractual Services-Companies	$88,000
	2.4.	Pilot projects implemented with local government/plantation to address challenges on land conversation	X	X	X	X			72200	Equipment and Furniture	$88,000
									74100	Professional Services	$98,000
									74500	Miscellaneous Expenses	$319,000
									75700	Training, Workshops and Confer	$147,000
	TOTAL OUTPUT 2										**$990,000**
Output 3 Governance and mediation: facilitate social responsibility, empowering related communities and mediation systems **Baseline:** (i) No organized support system for independent smallholders to obtain legal land title in place; (ii) Mediation capacity in Indonesia said to be low (not all the cases reported); (iii) No systematic mechanism to track dispute related compliance with ISPO **Indicators:** (i) Availability of support system for independent smallholders to obtain legal land title;	3.1.	Support to the independent smallholders provided to obtain legal land status	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD	71300	Local Consultants	$27,000
	3.2	Mediation capacity strengthened	X	X	X	X			71600	Travel	$28,000
									72100	Contractual Services-Companies	$12,000
									74500	Miscellaneous Expenses	$19,750
									75700	Training, Workshops and Confer	$87,000
	TOTAL OUTPUT 3										**$173,750**

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
(ii) Availability of mediation mechanisms in 15 pilot districts; (iii) Availability of mechanisms to collate and make available information on on-going disputes; **Target 2015** 1. Support two (2) independent smallholders to obtain legal land status and certificate/official letter. 2. Develop action plans to strengthen the capacity of local government mediation task force (TP3); train two (2) districts and two (2) companies on local/customary community rights.											
Output 4 ISPO framework reinforced and ISPO standards clarified for wider acceptance **Baseline:** (i) ISPO standards have not been completely clarified with key international institutions; (ii) Certification results are published on website only but should be published on wider basis; (iii) Little information or understanding on ISPO palm oil traceability; **Indicators:** (i) Level of acceptance of ISPO certified palm oil at international level; (ii) Existence of pilot ISPO certification and traceability initiative **Target 2015** 1. Conduct three (3) ISPO Awareness workshops at provincial level. Socialize ISPO through mass communication in two (2) districts. 2. Pilot two (2) ISPO certification and traceability initiatives with one (1) plantation/mill/internation buyer.	4.1.	ISPO socialized and guidelines refined	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD	71600	Travel	$148,000
	4.2.	ISPO management strengthened to improve supply chain traceability	X	X	X	X			72100	Contractual Services-Companies	$90,000
									75700	Training, Workshops and Confer	$77,000
	TOTAL OUTPUT 4										**$315,000**
Output 5 National and provincial platforms established to ensure transparency in support of the SPO initiative to promote sustainable palm oil **Baseline:** (i) No national multi-stakeholder palm oil coordination platform on ISPO is available; (ii) No provincial multi-stakeholder palm oil coordination platform is available.	5.1	Establish and operationalize national SPO platform	X	X	X	X	UNDP	UNREDD UNDP	71300	Local Consultants	$251,000
	5.2.	Establish and operationalize provincial SPO platform	X	X	X	X			71600	Travel	$31,000
									72100	Contractual Services-Companies	$129,000
									75700	Training, Workshops and	$154,000

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
		Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
									Confer	
Indicator: (i)Existence of functioning national multi-stakeholder platforms, hosted by the Ministry of Agriculture; (ii) Existence of functioning provincial multi-stakeholder platforms, hosted by Provincial Governments **Target 2015** 1. Conduct two (2) National Platform Meetings. 2. Conduct to two (2) Provincial Platform Meetings at each of the piloted provinces.	**TOTAL OUTPUT 5**									**$565,000**
TOTAL AWP 2015										$3,404,000
TOTAL GMS 2015										$296,000
GRAND TOTAL AWP 2015										$3,700,000

AWP 2016

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
Output 1 Smallholder ISPO certification processes strengthened by focusing on good agriculture practices and environment protection **Baseline:** (i) There is no extension worker who is specifically trained on palm oil and ISPO certification; (ii) No smallholders certified under ISPO; (iii) Few independent farmer cooperatives with enough capacity to address productivity and environmental concerns; (iv) No clear price transparency mechanism exists; **Indicators:** (i) Availability of dedicated palm oil extension workers in all pilot districts in the three pilot provinces; (ii) Number of smallholders reaching a sufficient level of knowledge and awareness in ISPO compliance; (iii) Degree to which smallholder cooperatives are developed and pilot initiatives are implemented to increase smallholder productivity and to decrease deforestation; (iv) Smallholders gain fairer selling process and improved margins; Target 2016 1. Six (6) additional extension workers trained with the above materials at the piloted districts. 2. Fourteen (14) additional cooperatives receive ISPO certification within the six (6) pilot districts. Ensure that selected smallholder groups to achieve crop diversification and integrated farming systems; and establish a nursery pilot plan. 3. Train six (6) additional farmer cooperatives to strengthen their operations; two (2) additional farmer cooperatives signs FFB supply agreement with two (2) additional mills/plantations ; signing of two (2) additional cooperatives to the revalization fund; signing of two (2) additional partnership agreements with plantations to reduce expansion into forests.	1.1.	Extension worker/district facilitator system strengthened at provincial and district levels	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD UNDP GCP IKEA	71300	Local Consultants	$351,000
	1.2.	Smallholder capacity strengthened	X	X	X	X			71600	Travel	$771,000
	1.3.	Smallholder partnership/ cooperative initiatives piloted	X	X	X	X			74500	Miscellaneous Expenses	$371,250
									75700	Training, Workshops and Confer	$163,000
	TOTAL OUTPUT 1										**$1,656,250**
Output 2 Environment management and monitoring: ISPO Strengthened to protect forest, enhance biodiversity conservation and mitigate and monitor GHG emissions	2.1.	Strategic assessment of land conversion conducted	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD	71300	LocalConsultants	$302,000
	2.2.	Protection of biodiversity	X	X	X	X			71600	Travel	$274,000

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
Baseline: (i) There are no government endorsed-comprehensive data on land conversion; (ii) Limited legal and regulatory framework to address palm oil operation associated land conversion and GHG emissions; (iii) Limited Government endorsed knowledge base on palm oil associated GHG emissions; (iv) No pilot project being implemented in provinces specifically implementing policy interventions; **Indicators:** (i)Strategic assessment on land conversion by smallholder conducted and endorsed by relevant line ministers; (ii) Policy interventions by relevant line ministries and local governments; (iii) Clarity on GHG emissions related to palm oil operations; **Target 2016** 1. Monitor forest cover trend and GHG emissions in two (2) additional districts. 2. Train six (6) additional smallholder cooperatives on environmental awareness and have stronger relationship with BKSDA. 3. Support one (1) additional GHG emission reduction project. 4. Support one (1) additional smallholder legal conversion and prevention of forest encroachment; support one (1) additional legal conversion by plantation.		strengthened									
	2.3.	GHG emissions reduce through policy intervention	X	X	X	X			74100	ProfessionalServices	$98,000
	2.4.	Pilot projects implemented with local government/plantation to address challenges on land conversation	X	X	X	X			74500	MiscellaneousExpenses	$125,000
									75700	Training,WorkshopsandConfer	$191,000
	TOTAL OUTPUT 2										**$990,000**
Output 3 Governance and mediation: facilitate social responsibility, empowering related communities and mediation systems **Baseline:** (i) No organized support system for independent smallholders to obtain legal land title in place; (ii) Mediation capacity in Indonesia said to be low (not all the cases reported); (iii) No systematic mechanism to track dispute related compliance with ISPO **Indicators:** (i) Availability of support system for independent smallholders to obtain legal land title; (ii) Availability of mediation mechanisms in 15 pilot districts; (iii) Availability of mechanisms to collate and make available	3.1.	Support to the independent smallholders provided to obtain legal land status	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD	71300	LocalConsultants	$37,000
	3.2	Mediation capacity strengthened	X	X	X	X			71600	Travel	$38,000
									72100	ContractualServices-Companies	$12,000
									74500	MiscellaneousExpenses	$29,000
									75700	Training,WorkshopsandConfer	$57,750
	TOTAL OUTPUT 3										**$173,750**

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
information on on-going disputes; **Target 2016** 1. Support two (2) additional independent smallholders to obtain legal land status and certificate/official letter. 2. Train two (2) additional districts and two (2) additional companies on local/customary community rights.											
Output 4 ISPO framework reinforced and ISPO standards clarified for wider acceptance **Baseline:** (i) ISPO standards have not been completely clarified with key international institutions; (ii) Certification results are published on website only but should be published on wider basis; (iii) Little information or understanding on ISPO palm oil traceability; **Indicators:** (i) Level of acceptance of ISPO certified palm oil at international level; (ii) Existence of pilot ISPO certification and traceability initiative **Target 2016** 1. Conduct three (3) ISPO Awareness workshops at provincial level. Socialize ISPO through mass communication in two (2) additional districts. 2. Pilot two (2) additional ISPO certification and traceability initiatives with one (1) additional plantation/mill/internation buyer.	4.1.	ISPO socialized and guidelines refined	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD	71600	Travel	$71,000
	4.2.	ISPO management strengthened to improve supply chain traceability	X	X	X	X			72100	ContractualServices-Companies	$192,000
									75700	Training,WorkshopsandConfer	$52,000
	TOTAL OUTPUT 4										**$315,000**
Output 5 National and provincial platforms established to ensure transparency in support of the SPO initiative to promote sustainable palm oil **Baseline:** (i) No national multi-stakeholder palm oil coordination platform on ISPO is available; (ii) No provincial multi-stakeholder palm oil coordination platform is available. **Indicator:**	5.1	Establish and operationalize national SPO platform	X	X	X	X	UNDP	UNREDD UNDP	71300	Local Consultants	$231,000
	5.2.	Establish and operationalize provincial SPO platform	X	X	X	X			71600	Travel	$42,000
									72100	Contractual Services-Companies	$179,000
									75700	Training, Workshops and Confer	$113,000
	TOTAL OUTPUT 5										**$565,000**

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
		Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
(i)Existence of functioning national multi-stakeholder platforms, hosted by the Ministry of Agriculture; (ii) Existence of functioning provincial multi-stakeholder platforms, hosted by Provincial Governments **Target 2016** 1. Conduct two (2) National Platform Meetings. 2. Conduct to two (2) Provincial Platform Meetings at each of the piloted provinces.										
TOTAL AWP 2016										$3,404,000
TOTAL GMS 2016										$296,000
GRAND TOTAL AWP 2016										$3,700,000

AWP 2017

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
Output 1 Smallholder ISPO certification processes strengthened by focusing on good agriculture practices and environment protection **Baseline:** (i) There is no extension worker who is specifically trained on palm oil and ISPO certification; (ii) No smallholders certified under ISPO; (iii) Few independent farmer cooperatives with enough capacity to address productivity and environmental concerns; (iv) No clear price transparency mechanism exists; **Indicators:** (i) Availability of dedicated palm oil extension workers in all pilot districts in the three pilot provinces; (ii) Number of smallholders reaching a sufficient level of knowledge and awareness in ISPO compliance; (iii) Degree to which smallholder cooperatives are developed and pilot initiatives are implemented to increase smallholder productivity and to decrease deforestation; (iv) Smallholders gain fairer selling process and improved margins; Target 2017 1. Twelve (12) additional extension workers trained with the above materials at the piloted districts. 2. Twenty (20) additional cooperatives receive ISPO certification within the six (6) pilot districts. Ensure that selected smallholder groups to achieve crop diversification and integrated farming systems; and establish a nursery pilot plan. 3. Train six (6) additional farmer cooperatives to strengthen their operations; two (2) additional farmer cooperatives signs FFB supply agreement with two (2) additional mills/plantations ; signing of two (2) additional cooperatives to the revalization fund; signing of two (2) additional partnership agreements with plantations to reduce expansion into forests.	1.1.	Extension worker/district facilitator system strengthened at provincial and district levels	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD UNDP GCP IKEA	71300	Local Consultants	$425,000
	1.2.	Smallholder capacity strengthened	X	X	X	X			71600	Travel	$458,000
	1.3.	Smallholder partnership/ cooperative initiatives piloted	X	X	X	X			74500	Miscellaneous Expenses	$202,250
									75700	Training, Workshops and Confer	$571,000
	TOTAL OUTPUT 1										**$1,656,250**
Output 2 Environment management and monitoring: ISPO Strengthened to protect forest, enhance biodiversity conservation and mitigate and monitor GHG emissions	2.1.	Strategic assessment of land conversion conducted	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD	71300	Local Consultants	$200,000
	2.2.	Protection of biodiversity	X	X	X	X			71600	Travel	$215,000

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
Baseline: (i) There are no government endorsed-comprehensive data on land conversion; (ii) Limited legal and regulatory framework to address palm oil operation associated land conversion and GHG emissions; (iii) Limited Government endorsed knowledge base on palm oil associated GHG emissions; (iv) No pilot project being implemented in provinces specifically implementing policy interventions; **Indicators:** (i)Strategic assessment on land conversion by smallholder conducted and endorsed by relevant line ministers; (ii) Policy interventions by relevant line ministries and local governments; (iii) Clarity on GHG emissions related to palm oil operations; **Target 2017** 1. Monitor forest cover trend and GHG emissions in two (2) additional districts. 2. Train six (6) additional smallholder cooperatives on environmental awareness and have stronger relationship with BKSDA. 3. Support one (1) additional GHG emission reduction project. 4. Support one (1) additional smallholder legal conversion and prevention of forest encroachment; support one (1) additional legal conversion by plantation.		strengthened									
	2.3.	GHG emissions reduce through policy intervention	X	X	X	X			74100	Professional Services	$98,000
	2.4.	Pilot projects implemented with local government/plantation to address challenges on land conversation	X	X	X	X			74500	Miscellaneous Expenses	$221,000
									75700	Training, Workshops and Confer	$256,000
	TOTAL OUTPUT 2										**$990,000**
Output 3 Governance and mediation: facilitate social responsibility, empowering related communities and mediation systems **Baseline:** (i) No organized support system for independent smallholders to obtain legal land title in place; (ii) Mediation capacity in Indonesia said to be low (not all the cases reported); (iii) No systematic mechanism to track dispute related compliance with ISPO **Indicators:** (i) Availability of support system for independent smallholders to obtain legal land title; (ii) Availability of mediation mechanisms in 15 pilot districts; (iii) Availability of mechanisms to collate and make available	3.1.	Support to the independent smallholders provided to obtain legal land status	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD	71300	LocalConsultants	$44,000
	3.2	Mediation capacity strengthened	X	X	X	X			71600	Travel	$34,000
									72100	ContractualServices-Companies	$36,000
									74500	MiscellaneousExpenses	$12,000
									75700	Training,WorkshopsandConfer	$47,750
	TOTAL OUTPUT 3										**$173,750**

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
information on on-going disputes; **Target 2017** 1. Support two (2) additional independent smallholders to obtain legal land status and certificate/official letter. 2. Train two (2) additional districts and two (2) additional companies on local/customary community rights.											
Output 4 ISPO framework reinforced and ISPO standards clarified for wider acceptance **Baseline:** (i) ISPO standards have not been completely clarified with key international institutions; (ii) Certification results are published on website only but should be published on wider basis; (iii) Little information or understanding on ISPO palm oil traceability; **Indicators:** (i) Level of acceptance of ISPO certified palm oil at international level; (ii) Existence of pilot ISPO certification and traceability initiative **Target 2017** 1. Conduct three (3) ISPO Awareness workshops at provincial level. Socialize ISPO through mass communication in two (2) additional districts. 2. Pilot two (2) additional ISPO certification and traceability initiatives with one (1) additional plantation/mill/internation buyer.	4.1.	ISPO socialized and guidelines refined	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD	71600	Travel	$122,000
	4.2.	ISPO management strengthened to improve supply chain traceability	X	X	X	X			72100	Contractual Services-Companies	$91,000
									75700	Training, Workshops and Confer	$102,000
	TOTAL OUTPUT 4										$315,000
Output 5 National and provincial platforms established to ensure transparency in support of the SPO initiative to promote sustainable palm oil **Baseline:** (i) No national multi-stakeholder palm oil coordination platform on ISPO is available; (ii) No provincial multi-stakeholder palm oil coordination platform is available. **Indicator:**	5.1	Establish and operationalize national SPO platform	X	X	X	X	UNDP	UNREDD UNDP	71300	LocalConsultants	$228,000
	5.2.	Establish and operationalize provincial SPO platform	X	X	X	X			71600	Travel	$81,000
									72100	ContractualServices-Companies	$103,000
									75700	Training,WorkshopsandConfer	$153,000
	TOTAL OUTPUT 5										$565,000

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
		Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
(i)Existence of functioning national multi-stakeholder platforms, hosted by the Ministry of Agriculture; (ii) Existence of functioning provincial multi-stakeholder platforms, hosted by Provincial Governments **Target 2017** 1. Conduct two (2) National Platform Meetings. 2. Conduct to two (2) Provincial Platform Meetings at each of the piloted provinces.										
TOTAL AWP 2017										$3,404,000
TOTAL GMS 2017										$296,000
GRAND TOTAL AWP 2017										$3,700,000

AWP 2018

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
Output 1 Smallholder ISPO certification processes strengthened by focusing on good agriculture practices and environment protection **Baseline:** (i) There is no extension worker who is specifically trained on palm oil and ISPO certification; (ii) No smallholders certified under ISPO; (iii) Few independent farmer cooperatives with enough capacity to address productivity and environmental concerns; (iv) No clear price transparency mechanism exists; **Indicators:** (i) Availability of dedicated palm oil extension workers in all pilot districts in the three pilot provinces; (ii) Number of smallholders reaching a sufficient level of knowledge and awareness in ISPO compliance; (iii) Degree to which smallholder cooperatives are developed and pilot initiatives are implemented to increase smallholder productivity and to decrease deforestation; (iv) Smallholders gain fairer selling process and improved margins; Target 2018 1. Twenty four (24) additional extension workers trained with the above materials at the piloted districts. 2. Twenty (20) additional cooperatives receive ISPO certification within the six (6) pilot districts. Ensure that selected smallholder groups to achieve crop diversification and integrated farming systems; and establish a nursery pilot plan. 3. Train six (6) additional farmer cooperatives to strengthen their operations; two (2) additional farmer cooperatives signs FFB supply agreement with two (2) additional mills/plantations; signing of two (2) additional cooperatives to the revalization fund; signing of two (2) additional partnership agreements with plantations to reduce expansion into forests.	1.1.	Extension worker/district facilitator system strengthened at provincial and district levels	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD UNDP GCP IKEA	71300	LocalConsultants	$515,000
	1.2.	Smallholder capacity strengthened	X	X	X	X			71600	Travel	$372,250
	1.3.	Smallholder partnership/ cooperative initiatives piloted	X	X	X	X			74500	MiscellaneousExpenses	$200,000
									75700	Training,WorkshopsandConfer	$569,000
	TOTAL OUTPUT 1										**$1,656,250**
Output 2 Environment management and monitoring: ISPO Strengthened to protect forest, enhance biodiversity conservation and mitigate and monitor GHG emissions	2.1.	Strategic assessment of land conversion conducted	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD	71300	LocalConsultants	$396,000
	2.2.	Protection of biodiversity	X	X	X	X			71600	Travel	$191,000

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
Baseline: (i) There are no government endorsed-comprehensive data on land conversion; (ii) Limited legal and regulatory framework to address palm oil operation associated land conversion and GHG emissions; (iii) Limited Government endorsed knowledge base on palm oil associated GHG emissions; (iv) No pilot project being implemented in provinces specifically implementing policy interventions; **Indicators:** (i)Strategic assessment on land conversion by smallholder conducted and endorsed by relevant line ministers; (ii) Policy interventions by relevant line ministries and local governments; (iii) Clarity on GHG emissions related to palm oil operations; **Target 2018** 1. Monitor forest cover trend and GHG emissions in two (2) additional districts. 2. Train six (6) additional smallholder cooperatives on environmental awareness and have stronger relationship with BKSDA. 3. Support one (1) additional GHG emission reduction project. 4. Support one (1) additional smallholder legal conversion and prevention of forest encroachment; support one (1) additional legal conversion by plantation.		strengthened									
	2.3.	GHG emissions reduce through policy intervention	X	X	X	X			74500	MiscellaneousExpenses	$82,000
	2.4.	Pilot projects implemented with local government/plantation to address challenges on land conversation	X	X	X	X			75700	Training,WorkshopsandConfer	$321,000
	TOTAL OUTPUT 2										**$990,000**
Output 3 Governance and mediation: facilitate social responsibility, empowering related communities and mediation systems **Baseline:** (i) No organized support system for independent smallholders to obtain legal land title in place; (ii) Mediation capacity in Indonesia said to be low (not all the cases reported); (iii) No systematic mechanism to track dispute related compliance with ISPO **Indicators:** (i) Availability of support system for independent smallholders to obtain legal land title; (ii) Availability of mediation mechanisms in 15 pilot districts; (iii) Availability of mechanisms to collate and make available	3.1.	Support to the independent smallholders provided to obtain legal land status	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD	71300	LocalConsultants	$50,750
	3.2	Mediation capacity strengthened	X	X	X	X			71600	Travel	$18,000
									72100	ContractualServices-Companies	$47,000
									74500	MiscellaneousExpenses	$4,000
									75700	Training,WorkshopsandConfer	$54,000
	TOTAL OUTPUT 3										**$173,750**

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES		TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
			Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
information on on-going disputes; **Target 2018** 1. Support two (2) additional independent smallholders to obtain legal land status and certificate/official letter. 2. Train two (2) additional districts and two (2) additional companies on local/customary community rights.											
Output 4 ISPO framework reinforced and ISPO standards clarified for wider acceptance **Baseline:** (i) ISPO standards have not been completely clarified with key international institutions; (ii) Certification results are published on website only but should be published on wider basis; (iii) Little information or understanding on ISPO palm oil traceability; **Indicators:** (i) Level of acceptance of ISPO certified palm oil at international level; (ii) Existence of pilot ISPO certification and traceability initiative **Target 2018** 1. Conduct three (3) ISPO Awareness workshops at provincial level. Socialize ISPO through mass communication in two (2) additional districts. 2. Pilot two (2) additional ISPO certification and traceability initiatives with one (1) additional plantation/mill/internation buyer.	4.1.	ISPO socialized and guidelines refined	X	X	X	X	NGOs Provincial and District Government UNDP	UNREDD	71300	Local Consultants	$42,000
	4.2.	ISPO management strengthened to improve supply chain traceability	X	X	X	X			71600	Travel	$71,000
									72100	Contractual Services-Companies	$128,000
									75700	Training, Workshops and Confer	$74,000
	TOTAL OUTPUT 4										**$315,000**
Output 5 National and provincial platforms established to ensure transparency in support of the SPO initiative to promote sustainable palm oil **Baseline:** (i) No national multi-stakeholder palm oil coordination platform on ISPO is available; (ii) No provincial multi-stakeholder palm oil coordination platform is available. **Indicator:**	5.1	Establish and operationalize national SPO platform	X	X	X	X	UNDP	UNREDD UNDP	71300	Local Consultants	$266,000
	5.2.	Establish and operationalize provincial SPO platform	X	X	X	X			71600	Travel	$31,000
									72100	Contractual Services-Companies	$101,000
									75700	Training, Workshops and Confer	$167,000
	TOTAL OUTPUT 5										**$565,000**

EXPECTED OUTPUTS And baseline, indicators including annual targets	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
		Q1	Q2	Q3	Q4		Funding Source	Account Code	Account Description	Amount USD
(i)Existence of functioning national multi-stakeholder platforms, hosted by the Ministry of Agriculture; (ii) Existence of functioning provincial multi-stakeholder platforms, hosted by Provincial Governments **Target 2018** 1. Conduct two (2) National Platform Meetings. 2. Conduct to two (2) Provincial Platform Meetings at each of the piloted provinces.										
TOTAL AWP 2018										$3,404,000
TOTAL GMS 2018										$296,000
GRAND TOTAL AWP 2018										$3,700,000

Total AWP 2014 – 2018	**$ 14,260,000**
GMS (8%)	**$ 1,240,000**
GRAND TOTAL AWP 2014 2018	**$ 15,500,000**

6. MANAGEMENT ARRANGEMENTS

Implementing Partner
The Ministry of Agriculture (MOA) will act as Implementing Partner of the Project and will appoint the National Project Director. MOA has agreed with UNDP that all activities will be executed by UNDP through COSS, thus, the MOA is responsible to submit BAST (handover delivery certificate of goods/services) signed by both MOA and UNDP as attachment to SP3HL-BJS (Authorization Letter of Recognition of Grant: Goods, Services and Securities) to the Ministry of Finance.

In order to ensure the accuracy of BAST, UNDP will provide MOA with data on quarterly basis which consists of at least:
(i) date of hand over;
(ii) goods: name and price (in effective currency and Indonesia currency) per item of handed over equipment;
(iii) Services: total expenditures (in effective currency and Indonesia currency) for expert, training and mission.

Project Board
The Project Board (PB) will set the strategic direction of the project, and oversee the execution of the project and its activities. The Board will review and approve any substantive revisions of the project. PB decisions will be made in accordance with the principles of Results-Based Management, best value for money, fairness, integrity, transparency and compliance with international standards.

At a minimum the PB will comprise of: ISPO Commission as the Senior Beneficiary and representing the interest of those who will ultimately benefit from the project, the Directorate of Perennial Crops of MoA as Executive or implementing partner, and UNDP as the Senior Supplier. Other stakeholders, including other government agencies, donors, NGOs etc. can be invited to sit on the PB. The Project Management Unit will report regularly to the PB. The NPM and NPD will refer to the PB when issues exceeding the authority of the NPM/NPD arise.

National Project Director (NPD)
The NPD for this project will be the Director of Perennial Crops within MoA. Representing the Implementing Partner in the PB as Executive, the NPD is fully responsible and accountable for project management and implementation, and for ensuring that a team (Project Management Unit: PMU) in charge of managing day-to-day project activities is in place and operational. The NPD will also ensure that approved project annual work plans are in place and that project implementation is in line with these approved work plans.

- The NPD provides strategic and policy guidance to the PMU within the context of the Project Document;
- The NPD ensures that actions financed by the Project are undertaken in strict compliance with expected project results, resources, work plan and applicable norms and procedures and certifies substantial progress and financial reports (FACE form);
- The NPD is responsible for the safekeeping, use, maintenance and good operational condition of the goods received by the Project. In case of loss and/or robbery, the NPD is responsible for taking the necessary action to

recover the goods, informing UNDP of the administrative and/or legal steps that have been taken. The NPD is responsible for certifying the inventory of assets acquired for the project;

- The Combined Delivery Report (CDR) is the official accounting document of the Project. It provides detailed information on project expenditures of the previous year. The CDR should be reviewed and signed by the NPD on an annual basis;
- In addition to the asset inventory list and CDR, audit follow-up action plan and project cash position shall be certified and signed by NPD on an annual basis;
- The NPD may, from time to time, be invited to participate in the meetings of the Outcome Board;
- The NPD may delegate his authority to the Deputy National Project Director (DNPD) and shall accordingly inform UNDP.

Project Management Unit (PMU)

A professional project management unit (PMU), which consists of technical experts and administrative personnel, will be recruited. Under the overall direction of the NPD and day-to-day guidance of the NPM, they will be responsible for the day-to-day implementation of the project activities. The NPM and PMU are accountable to the NPD for sound administrative and financial management of the project as well as effective delivery of project activities. Accountabilities of project management are formally presented to the NPD by timely completion of annual and quarterly work plans and reports with required supporting documents.

National Project Manager (NPM)

The NPM is responsible for day-to-day management and decision-making for the project and leading the PMU. The NPM's prime responsibility is to ensure that the project produces the results specified in the Project Document, to the required standard of quality and within the specified constraints of time and cost. The NPM leads the process of developing annual and quarterly work and budget plans involving relevant stakeholders for the PB approval. The NPM is also obliged to follow up recommendations that arise from internal monitoring &evaluation, and audit. The NPM will be recruited by UNDP and has a dual reporting line, both to the NPD and designated official at UNDP.

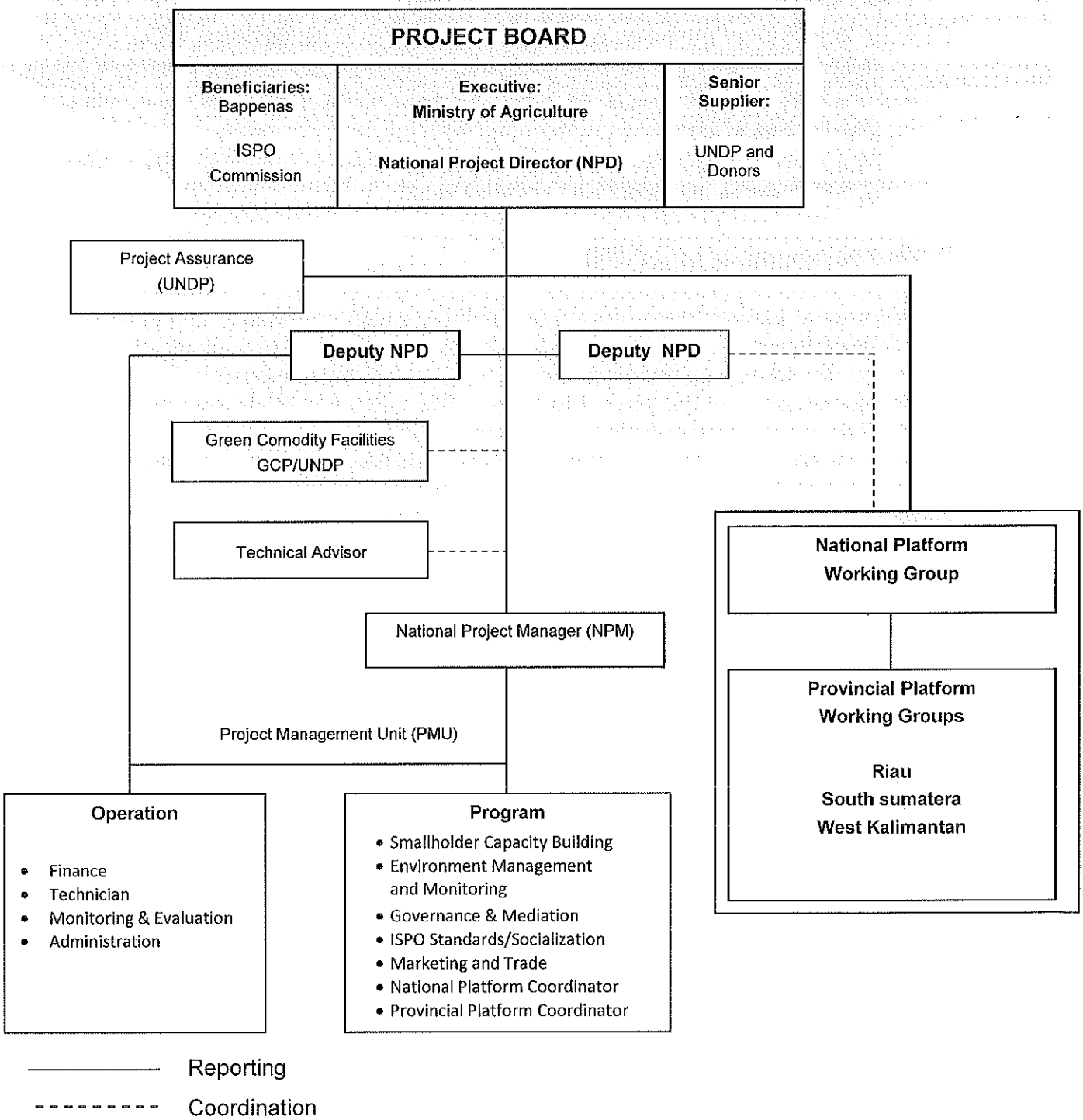
SPO Platform

UNDP proposes to assist the GoI to establish and facilitate regular information exchange platforms that involves stakeholders involved in sustainable palm oil to ensure transparency. Key line ministries such as the MoF, MoE, Ministry of Cooperatives and Small and Medium Enterprise, BPN, Ministry of Home Affairs are also expected to fully participate in national platform meetings. There will also be provincial platforms in the pilot provinces, led by the local Government.

Green Commodities Programme

The UNDP Green Commodities Programme was created in 2009 in order to facilitate private and public funding for projects to reduce environmental impacts and improve

the income of small producers involved in supply chains. The UNDP Green Commodities Programme also aims to reach out to the private sector to identify and develop supply chain projects for agricultural commodities such as for cattle, coffee, cocoa, rubber, cotton, pineapple, rice, sugar, and palm oil. The GCP will provide technical advisory support services to the project and assistance in brokering strategic partnerships, especially with key global corporations.



7. Implementation Arrangements

The project will be implemented under the framework of the UNDP Country Programme Action Plan (CPAP) 2011 – 2015 applying the National Implementation

Modality (NIM), where the **MoA will act as the Implementing Partner**. In line with the UNDP Executive Board decision DP/2005/3 dated 21 to 28 January 2005, **UNDP's Programme and Operations Policies and Procedures (POPP)** describes NIM as the overall management of UNDP programme activities in a specific programme country carried out by an eligible national entity of that country. NIM takes into consideration the technical and administrative capacity of the entity to assume responsibility for mobilizing and effectively applying the required inputs in order to achieve the expected outputs.

The Implementing Partner is responsible and accountable for managing the project - including the monitoring and evaluation of project interventions - and achieving project outputs, and for the effective use of project resources.

UNDP has consulted with the Implementing Partner and agreed to adopt the **Direct Agency Implementation modality,** through which UNDP makes obligations and incurs expenditure in support of activities (**Country Office Support Services – COSS**).Therefore, **UNDP shall act as the Responsible Party to obtain goods and services required in the implementation of the project.**

Under the COSS arrangement, UNDP will be responsible for (i) the identification and recruitment of project and programme personnel, (ii) procurement of goods and services, (iii) the administration of donor financial contributions and, (iv) provision of other technical or administrative support required to deliver the outputs. In providing these services, UNDP will apply its rules and regulations. The Support Services and conditions attached to them are described in the **Country Office Support Service Agreement in Annex V.** Services provided by the UNDP Country Office, including those through the COSS modality, will be subject to audit by UNDP's external (the United Nations Board of Auditors) and/or internal auditors (UNDP's Office of Audit and Investigation).

UNDP will provide technical guidance, administrative and managerial support and oversight to the project. A National Project Director will be appointed by the Implementing Partner to oversee and provide appropriate guidance to the UNDP-Project Management Unit, which will manage day to day activities of the project. However, the Implementing Partner will retain overall ownership of the programme, including authority to provide strategic guidance and to endorse the project Annual Work Plan.

With respect to the Government of Indonesia's reporting procedures on grant realization, UNDP shall **prepare the Minutes of Handover** (Berita Acara Serah Terima – BAST) of Goods and Services to be signed jointly by UNDP and the Implementing Partner's Authorized Budget Owner (Kuasa Pengguna Anggaran - KPA). This will be submitted by the Implementing Partner to the Directorate General of Debt Management (Direktorat Jenderal Pengelolaan Utang – DJPU) and the State Treasury Service Office (Kantor Pelayanan Pembendaharaan Negara – KPPN) under the Directorate General of Treasury (Direktorat Jenderal Perbendaharaan) of the Ministry of Finance.

Intellectual Property Rights

Unless otherwise agreed, UNDP shall immediately transfer ownership of all tangible assets, equipment and technologies to the Ministry of Agriculture and/or other designated national entities. The Ministry of Agriculture shall have the right to use

and modify all such assets, equipment and technologies and make them available for the use to third parties within and outside the country. All such use shall acknowledge the support and contribution of UNDP as appropriate. With respect to intagible assets such as intellectual property rights and copyrights as discussed in the Standard text in Annex VI: SUPPLEMENTAL PROVISIONS TO THE PROJECT DOCUMENT, the government of Indonesia will hold discussions with the Legal Office of UNDP HQ. This project document may be revised subject to the outcome of those discussions. Furthermore, UNDP shall recognize and inform any other relevant countries or parties of the role and contribution of the Government of Indonesia with regards to the development of intangible assets through this project, particularly intellectual property rights.

8. FINANCIAL AGREEMENTS

The activities contained within this Project Document will be implemented using the framework of a standard UNDP Cost Sharing Agreement, which requires compliance with the terms and conditions set forth by relevant donors (including corporate donors) and UNDP rules and regulations.

Financial transactions will be recorded and monitored in UNDP's Enterprise Resource Planning System, ATLAS. UNDP will prepare a Combined Delivery Report (CDR) at the end of each year, which constitutes the official report of project expenditures for a given period and which is subject to annual audit. The Implementing Partner (NPD) exercises its financial accountability by signing the CDR at the end of year.

UNDP will implement the following assurance activities:

1. Periodic spot check reviews of the financial records and contract management. These should be conducted and documented on a routine basis, or when warranted due to concerns over the functioning of internal controls.
2. Programmatic monitoring of activities following UNDP standards and guidance for site visits and field monitoring.
3. Scheduled Audit: UNDP projects are audited regularly and the audit findings are reported to the UNDP Executive Board. The audit of projects provides UNDP with assurance that resources are used to achieve the results described in the Project Document and that UNDP resources are adequately safeguarded. Internal Auditor (Office of Audit and Investigation/OAI of UNDP) or External Auditor (UN Board of Auditors) will audit project components implemented by UNDP based on the Country Office Support Services.
4. Special Audit – an audit that responds to special demand.

The results of UNDP assurance activities may lead to changes in the procedures and modalities, and the type and frequency of future assurance activities.

In addition, for the financial arrangements for the Support Services provided by the UNDP Country office upon the request of the Implementing Partner, refer to the conditions and terms described in the Country Office Support Service Agreement in the Annex V.

9. MONITORING AND EVALUATION

An overall programmatic and financial monitoring framework will be designed to ensure effective multi-stakeholder (UNDP, Government, donors) monitoring for results supported through on-site monitoring, regular reporting, and financial expenditure tracking. The monitoring framework for this programme is intended to achieve the following purposes.

1. **Results-Orientation:** Ensure appropriate measurement and assessment of programme performance to effectively improve performance and achieve results.

2. **Quality Assurance**: Ensure quality in project activities supported through this programme to ensure best possible benefit for beneficiaries, through monitoring programme delivery and identifying issues that need corrective action and ensure that additional assistance is provided early.

3. **Accountability:** Ensure accountability in the use of programme resources through heavy emphasis on financial reviews to make sure that funds are being appropriately used to achieve project outputs, and that the implementing agents have sufficient controls in place to demonstrate that funds are being used appropriately.

4. **Transparency:** Ensure transparency in programme activities, finances, and results to all stakeholders.

5. **Learning:** Ensure that the programme has learning mechanisms for purposes of improving ongoing implementation and guiding new initiatives, and to identify key lessons learned and successes stories from programme implementation in relation to mainstreaming disaster risk reduction into the development planning and implementation processes of UNDP, the Government and development partners.

The Monitoring and Evaluation framework will be established at the initial stage of the project implementation and be composed of the following components:

1. **Monitoring plan** with defined benchmarks, indicators and targets, based on results and resources framework to be developed by the National Project Manager (NPM) in consultation with relevant UNDP programme staff and technical team;

2. **Risk, issues and quality logs** to be created by the NPM and relevant programme officer through clearance from National Project Director (NPD);

3. **Annual project planning** (with detailed activities and budget) and reporting to be conducted by the NPM with support from the Finance and Administrative Assistant (FAA) and clearance from the technical team;

4. **Quarterly project reporting and monitoring**, conducted by the NPM and FAA (also to include risk and issues monitoring and development of lessons learned reports) in consultation with technical team and guidance of NPD;

5. **Annual project review** to be conducted by the Executive Board on the basis of monitoring reports and products prepared by the project (also to include proposal for eventual changes to the project strategy or even project revision).

A quarterly report following internal Ministry of Agriculture regulations will be submitted to the relevant departments within the Ministry, from the NPM and endorsed by the NPD. This report will be based on the quarterly project reporting and monitoring explained above, including programmatic and financial reports and endorsed by UNDP.

In order to achieve the delivery of the above-mentioned components and provide evidences to measure the progress of the implementation, the monitoring framework for this programme will seek to apply the following principles:

1. **Appropriate Resourcing of Monitoring:** The programme will dedicate staffing to ensure proper implementation of monitoring systems, including monitoring officers and financial monitoring assistants, as well as financial resources for monitoring purposes.

2. **Lessons from Previous Programmes:** The programme will seek to address lessons from previous evaluations and assessments of UNDP programmes regarding monitoring systems.

3. **Result-Oriented:** Priority is placed on result monitoring and regularly scheduled review meetings to take stock on the achievement of results.

4. **Template-Based System:** The programme will seek to apply a template-based system to structure monitoring information and ensure its collection on a regular basis.

5. **Joint Monitoring:** When needed, monitoring should include joint monitoring activities with government and other partners at various levels.

6. **Operational Effectiveness:** Ensure proper application of UNDP's internal control framework, and reviews of operational effectiveness.

7. **Downward Accountability:** The programme will seek to identify monitoring approaches that promote downward accountability in the monitoring framework.

All main reports documenting the programmatic progress of the Project will be developed with the approval of the NPD and endorsed by the PB. Regular financial reports will be submitted to UNDP according to the UNDP financial rules and regulations. The M&E system will include standard templates (following the Standard Operation Procedures of UNDP Planning Monitoring and Evaluation Unit and its Project Management Implementation Guideline (PMIG) 2009, and UNDP rules and regulations) for the following documents:

- Handover Delivery Certificate
- Quarterly Financial Report
- Annual Report (including financial report)
- Progress Report (including financial report)

- Mid-Term Evaluation (MTE) Report
- Final Evaluation Report
- Final Report (including lessons learned, financial report and impact analysis)

Type of M&E activity	Responsible Parties	Budget USD *In USD, excluding project staff time*	Time Frame
Combined Delivery Reports	NPD Project Officer	None	Annually
Issues Log	Project Officer UNDP CO	None	Quarterly
Risks Log	Project Officer UNDP CO Programme Staff	None	Quarterly
Lessons Learned Log	Project Officer UNDP CO Programme Staff	None	Quarterly
Mid-Term Evaluation Report	Project team UNDP CO	USD5,000	Mid-term project
Final Report	Project team UNDP CO	USD5,000	At least one month before the end of the project
Lessons learned	Project team UNDP CO and possibly support from Regional Office (suggested formats for documenting best practices, etc.)	To be determined as part of the Annual Work Plan's preparation.	Annually
Audit	UNDP CO Project team	USD3,000 in total To be included in the CO audit plan.	Annually
TOTAL indicative COST *Excluding project staff time, and UNDP staff and travel expenses*		~ USD 13,000	

The project's financial resources will be managed through a series of controls at various levels. All financial transactions are monitored, recorded, analyzed and reported in compliance with PMIG. Approved project budgets and expenditures will be shared with relevant parties for transparency purposes.

Payments to the responsible parties will generally be made by either the implementing partner or directly by UNDP. Payments are made on the basis of payment schedules articulated in the contract or partnership agreement. Payment schedules are linked into achievement of agreed deliverables and outputs. This project will be audited following relevant UNDP rules and regulations.

This M&E Unit will be also responsible for monitoring safeguard compliance. The Project will be cognizant of the safeguards being developed under UN-REDD, the Climate, Community and Biodiversity Alliance (CCBA), and other relevant initiatives. The SPO initiative intends to give all relevant stakeholders, including indigenous peoples, local communities and civil society – subject to national legislation, and, where applicable, international instruments – the opportunity of full and effective participation in planning and implementation. All UNDP projects undergo project appraisal committee approval before being endorsed by the government, which includes an assessment of the relevance, appropriateness, sustainability, and efficiency of the project and any potential negative impacts. With the SPO initiative, approval will also be sought at the provincial level with all key stakeholders before implementing activities. The project will also develop and apply a risk assessment and monitoring tool, referencing existing UN REDD methodologies.

10. Legal Context

This document together with the CPAP signed by the Government and UNDP which is incorporated by reference constitute together a Project Document.

The Revised Basic Agreement for Technical Assistance signed 29 October 1954 between the United Nations, the International Labor Organization, the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, the International Civil Aviation Organization, and the World Health Organization and the Government of the Republic of Indonesia,

The Standard Agreement on Operational Assistance signed 12 June 1969 between the United Nations, the International Labor Organization, the Food and Agriculture Organization of the United Nations, the United Nations Educational, Scientific and Cultural Organization, the International Civil Aviation Organization, the World Health Organization, the International Telecommunication Union, the World Meteorological Organization, the International Atomic Energy Agency, the Universal Postal Union, the Inter-Governmental Maritime Consultative Organization and the United Nations Industrial Development Organization and the Government of the Republic of Indonesia,

The Agreement signed 7 October 1960 between the United Nations Special Fund and the Government of the Republic of Indonesia, and

All CPAP provisions apply to this document

Additionally, this document together with the CPAP signed by the Government and UNDP which is incorporated by reference constitute together the instrument envisaged in the Supplemental Provisions to the Project Document, attached hereto as Annex VI. References to the Executing Agency in this Annex shall be deemed to be references to the Implementing Partner: MoA. The Implementing partner shall not be providing training facilities, land, buildings, equipment under this project."

Consistent with the above Supplemental Provisions, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

Consistent with the above Supplemental Provisions, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

put in place an appropriate security Plan and maintain the security Plan, taking into account the security situation in the country where the project is being carried;

assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security Plan.

UNDP reserves the right to verify whether such a Plan is in place, and to suggest modifications to the Plan when necessary. Failure to maintain and implement an appropriate security Plan as required hereunder shall be deemed a breach of this agreement.

The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

Annex I: EXCERPT FROM ISPO GUIDELINES

No	Principle/criteria	Indicator	Guidance
1.	PERMIT SYSTEM AND OIL PALM PLANTATION MANAGEMENT		
1.5	Land dispute and compensation		
	Oil palm growers/ mills should ensure that the estates development for oil palm plantations is free from the status of disputes with the community / farmer nearby. Dispute shall be resolved by negotiation to get a deal in accordance with regulations and / or customary provisions in force; if agreement could be reached then the settlement of land disputes should take legal action.	1. A documented dispute resolution mechanism for dispute settlement is available. 2. A map of the location of the disputed land is available. 3. The copies of dispute settlement agreement are available. 4. Record progress of deliberations for the settlement of disputes is kept.	a. Land disputes with communities around the garden / farmers should be settled by consensus. b. The determination for the amount of compensation and duration of use of public land for the plantation should be done in a consensus. c. If the settlement of land disputes through consensus agreement is not met, then the land in dispute should be resolved through legal manner/ court.
2.	THE IMPLEMENTATION OF GUIDANCE FOR CULTIVATION AND PROCESSING OF OIL PALM		
2.1	The technical guidance for oil palm cultivation		
2.2	The implementation of technical guidelines for oil palm processing		
3.	ENVIRONMENT MANAGEMENT AND MONITORING		
3.4	Biodiversity conservation Oil palm planters/millers should take care and conserve biodiversity on the plantation and area which are not planted	1.Own technical guidance to identify flora and fauna in the plantations 2.Own list flora and fauna in the plantations and surrounding plantation 3.Record of information distribution should be kept	a. Oil palm planters and millers have to distribute information to surrounding community about the importance of biodiversity and effort to conserve it b. To list the flora and fauna in the plantations and its surrounding c. Efforts of the company to conserve flora and fauna by making posters, reminders, etc.

No	Principle/criteria	Indicator	Guidance
3.5	Identification and protection of protected area Oil palm planters and millers should identified protected area which has prime function to protect biodiversity which include natural resources, manmade resources and historical value and nation culture that not to be planted by oil palm	1. Identified protected area is available 2. Plantation map that show where the protected area is available 3. Record of identification and information distribution about protected area is kept	a. To do inventoried protected area around the plantations b. Distribution of protected forest to workers and surrounding community/farmers around the plantations.
4.	RESPONSIBILITY ON LABOUR		
5.	SOCIAL RESPONSIBILITY AND COMMUNITY		
6.	EMPOWERING THE COMMUNITY ECONOMIC ACTIVITIES		
7.	TO INCREASE AND SUSTAINABLE ECONOMY Oil palm planters and millers have to continuously increase the performance (social and economy and environment) with the development and implementation action plan to support the increasing production of sustainable palm oil		Palm oil planters and millers continuously improve and increase economic activities through: a. Improve the economic role to decision was taken by the management b. Implementation of new technology as a result of research c. Corrective actions and preventive from unmatched actions such as customer complain, trend, processes trends, data analyses, recommendation input from internal and external including government

Note: the complete version of the ISPO Requirements can be accessed at http://www.ispo-org.or.id/

Annex II: LAND CONVERSION RATES IN PILOT PROVINCES (Riau, South Sumatra, West Kalimantan)

A. Deforestation rate in Riau

	Forest Type (Area x 1000 ha)					Convertible Production Forest (HPK)	Total	APL	Total	
	Natural Preservation Area- Nature Conservation Area (KSA-KPA)	Protection Forest (HL)	Limited production Forest (HPT)	Production Forest (HP)	Total				x1000 Ha	%
A. Forest Area	388.5	128.2	726.8	952.1	2,195.6	558.9	2,754.5	-	2,754.5	31.8
a. Primary Forest	175.6	27.2	74.5	234.1	511.4	10.8	522.2	-	522.2	6.0
b. Secondary Forest	210.5	101.1	496.4	586.8	1,394.8	461.2	1,856.0	-	1,856.0	21.4
c. Plantation Forest	2.4	0.0	155.9	131.1	289.4	86.9	376.3	-	376.3	4.3
B. Outside forest Area	60.3	228.1	1,026.0	914.1	2,228.5	3,689.7	5,918.2	-	5,918.2	68.2
Total	**448.8**	**356.3**	**1,752.9**	**1,866.1**	**4,424.1**	**4,248.6**	**8,673**	**0.0**	**8,672.7**	**100**

Extent of Land Cover Inside and Outside Forest Area Based on the Interpretation of Satellite Image Landsat 7 ETM+ 2009/2010

Source: Directorate of Resource Inventory and Forest Monitoring & the Directorate of Conservation and Forest Stewardship (http://www.dephut.go.id/files/stat2010_ktpengantar.pdf)

1. forestation Rate Inside and Outside Forest Area by Province for the Period of 2006-2009 (ha/year)

	Natural Preservation Area- Nature Conservation Area (KSA-KPA)	Protection Forest (HL)	Limited production forest (HPT)	Production Forest (HP)	Total	Convertible Production Forest (HPK)	Total	APL	Total
Primary Forest	129.8	5,952.2	36,465.1	1,160.2	43,707.3	4,695.4	48,402.7	-	48,402.7
Secondary Forest	1,296.4	13,181.0	15,237.5	35,932.4	65,647.3	42,998.0	108,645.3	-	108,645.3
Other forest	79.7	-	17,875.6	9,070.4	27,025.6	7,263.2	34,288.8	-	34,288.8
Total	**1,505.9**	**19,133.2**	**69,578.1**	**46,163.0**	**136,380.2**	**54,956.6**	**191,336.8**	**-**	**191,336.8**

Source: Directorate of Resource Inventory and Forest Monitoring & the Directorate of Conservation and Forest Stewardship (http://www.dephut.go.id/files/stat2010_planologi.pdf)

B. Deforestation rate in South Sumatra

1. Extent of Land Cover Inside and Outside Forest Area Based on the Interpretation of Satellite Image Landsat 7 ETM+ 2009/2010

	Forest Area (x1000 Ha)							APL (x1000Ha)	Total	
	Natural Preservation Area- Nature Conservation Area (KSA-KPA)	Protection Forest (HL)	Limited production Forest (HPT)	Production Forest (HP)	Total	Convertible Production Forest (HPK)	Total		x1000 Ha	%
A. Forest Area	352.2	244.8	31.6	377.6	1,006.2	7.5	1,013.7	124.8	1,138.5	13.2
Primary Forest	250.2	94.2	11.3	19.9	375.7		375.7	9.0	384.7	4.5
Secondary forest	98.4	143.8	17.5	182.3	442.0	7.3	449.3	79.9	529.2	6.1
Plantation Forest	3.5	6.8	2.8	175.3	188.5	0.2	188.7	35.9	224.6	2.6
B. Outside forest Area	310.6	359.0	185.7	1,449.4	2,304.7	423.9	2,728.6	4,773.8	7,502.4	86.8
Total	**662.7**	**603.8**	**217.4**	**1,827.0**	**3,310.9**	**431.4**	**3,742.3**	**4,901.9**	**8,644.2**	**100.0**

Source: Directorate of Resource Inventory and Forest Monitoring & the Directorate of Conservation and Forest Stewardship (http://www.dephut.go.id/files/stat2010_planologi.pdf)

2. Deforestation Rate Inside and Outside Forest Area by Province for the Period of 2006-2009 (ha/year)

	Forest Type (Area x 1000 Ha)							APL	Total
	Natural Preservation Area- Nature Conservation Area (KSA-KPA)	Protection Forest (HL)	Limited production forest (HPT)	Production Forest (HP)	Total	Convertible Production Forest (HPK)	Total		
Primary Forest	2,013.1	4,017.4	449.8	4, 147.0	10,627.3	66.5	10,693.8	597.9	11,291.6
Secondary Forest	-	809.5	-	5,848.3	6,657.9	36.7	6,694.6	779.5	7,474.0

Other forest	-	-	-	109.8	109.8	-	109.8	-	109.8
Total	**2,013.1**	**4,826.9**	**449.8**	**10,105.2**	**17,395.0**	**103.2**	**17,498.2**	**1,377.3**	**18,875.5**

Source: Directorate of Resource Inventory and Forest Monitoring & the Directorate of Conservation and Forest Stewardship (http://www.dephut.go.id/files/stat2010_planologi.pdf)

C. Deforestation rate in West Kalimantan

In West Kalimantan, 7 districts out of total 13 districts are facing rapid deforestation rate as shown below[12]

District	Total Forest Area	Deforestation rate	District	Total Permit	Total Area
Ketapang	2,379,908 ha	23,5%	Ketapang	77	938,793 ha
Sanggau	928,606 ha	12,7%	Sanggau	41	252,192 ha
Sintang	939,803 ha	11,3%	Sintang	37	385,208 ha
Bengkayang	409,903 ha	10,4%	Bengkayang	26	250,114 ha
Sambas	381,861 ha	10,4%	Sambas	30	200,270 ha
Kapuas hulu	2,758,387 ha	8,3%	Kapuas hulu	24	363,460 ha
Landak	621,668 ha	7,1%	Landak	48	490,580 ha

In 2011, Local government issued 283 permits in 7 districts:[13]

[12] WRI

[13] Dinas Perkebunan West Kalimantans

Annex III: The revised High Conservation Values for Indonesia

Box 1. The Revised High Conservation Values for Indonesia

HCV 1 Areas with Important Levels of Biodiversity *

- HCV 1.1 Areas that Contain or Provide Biodiversity Support Function to Protection or Conservation Areas
- HCV 1.2 Critically Endangered Species
- HCV 1.3 Areas that Contain Habitat for Viable Populations of Endangered, Restricted Range or Protected Species
- HCV 1.4 Areas that Contain Habitat of Temporary Use by Species or Congregations of Species

HCV 2 Natural Landscapes & Dynamics *

- HCV 2.1 Large Natural Landscapes with Capacity to Maintain Natural Ecological Processes and Dynamics
- HCV 2.2 Areas that Contain Two or More Contiguous Ecosystems
- HCV 2.3 Areas that Contain Representative Populations of Most Naturally Occurring Species

HCV 3 Rare or Endangered Ecosystems *

HCV 4 Environmental Services

- HCV 4.1 Areas or Ecosystems Important for the Provision of Water and Prevention of Floods for Downstream communities
- HCV 4.2 Areas Important for the Prevention of Erosion and Sedimentation
- HCV 4.3 Areas that Function as Natural Barriers to the Spread of Forest or Ground Fire

HCV 5 Natural Areas Critical for Meeting the Basic Needs of Local People

HCV 6 Areas Critical for Maintaining the Cultural Identity of Local Communities

*** Note the phrase "globally, regionally or nationally significant" has been removed from the titles of HCVs 1, 2 and 3 to simplify the titles. However, the definitions and criteria of the revised values remain broadly consistent with the definitions of globally, regionally or nationally significant as outlined in the Global HCV Toolkit.**

Based on HCV network[14], there are 6 classifications for HCV in Indonesia; HCV 1 for area with important levels of biodiversity, HCV 2 for natural landscape and dynamic, HCV 3 for rare or endangered ecosystems, HCV 4 Environmental services, HCV 5 natural area critical for meeting the basic needs of local people and HCV 6 for area critical for maintaining the cultural identity of local communities.

[14] HCV toolkit for Indonesia, HCV network (http://www.hcvnetwork.org)

Additional information on categorization of forest land in Indonesia

MoF has classified forest based on their **main functions (based on PP No.47/1997, UUNo.41/1999, PPNo.10/2010)**

a. Conservation forest (*HutanKonservasi*); forest that preserves biodiversity and ecosystems
   - Sanctuary forest
   - National Park Forest
   - Nature forest for tourism
   - Preserves forest
b. Protected forest (*Hutanlindung*); forest that protects life and ecology systems especially supporting systems for hydrology, controls erosion and flood, protects soil fertility and prevents sea water intrusion. Criteria:
   - Forest has field slope 45% or more
   - Forest has elevation 2000 m from sea surface
   - Forest has score 175 or more (calculation from several factors such as slope, various soil, rain intensity and balance scale)
   - Has
c. Production forest (*HutanProduksi*); forest that can be managed to produce something (forest products) to get its economic values. Production forest can be categorized into two groups namely the rain forests and forest cultivation. Rain forests are natural forest, while forest cultivation is deliberately managed by man. Cultivation man must cut down trees by selective logging system which is selecting the age and size of tree.
   Divided into 3 groups;
   1. Permanent production forest (*Hutanproduksitetap*); forest that can be managed to produce forest product with score under 125, out of conservation forest and protected forest areal
   2. Limited production forest (*hutanproduksiterbatas*); forest that can be managed to produce forest product with score between 125-174, out of conservation forest and protected forest areal
   3. Conversion production forest (Hutan yang dapatdikonversi); reserve forest that can be converted into other non-forestry utilization
d. Non-forest Area (APL)

The process of HEAD OF DISTRICT to reflects forest classification into actual district level maps

1. Preparation: for framework, methodology and budget
2. Data collection; administration area, physiography, population data, economic, facilities and infrastructure, Land use data (including forest classification from MoF), spatial design data and disaster data
3. Process and analyze the data
4. Formulate the concept of spatial planning; refers to spatial planning in national Level, Spatial planning in provincial level, the spatial planning guidelines and long term development planning in district. Technical consultation is necessity to provide good spatial planning.
5. Head of district proposed spatial planning design to *Dewan Perwakilan Rakyat* (Parliament) and Minister and BAPPENAS for agreement process. Head of district also need to get recommendation letter from governor to complete this process
6. Evaluation from Governor on approved-spatial planning to reduce negative impacts
7. Head of district creates district regulation on approved-spatial planning

How can we reclassify production forest into protection forest

Under regulation PP no 10 year 2010 there are 2 ways to change forest functions;

a. Change forest functions partially:
   1. Requested by Head of district (forest area is in one district) and governor (for forest in multi districts)
   2. MoF establishes *TimTerpadu* (comprehensive team) to asses, research and survey and then gives the recommendation to Minister
   3. Minister provides letter of conversion of forest function if MoF agree and rejection letter if doesn't agree.

b. Change forest functions for provincial area
   1. Requested by governor to Minister of Forestry and will be integrated with revision of provincial spatial planning and in provincial regulation
   2. MoF assesses and develops technical consultation
   3. MoF establishes *TimTerpadu* (comprehensive team) to assess, research and survey and gives the recommendation to Minister. Assessment of environmental will be held if the modification could potentially give negative impacts
   4. Minister of Forestry conveys the result to *Dewan Perwakilan Rakyat* (Parliament) for agreement process. If parliament agrees, MoF will provide decision letter on changing forest functions and contrary will provide rejection letter.

What are the procedures for land swap (requested by Governor, Head of district, head of company, head of foundation)

a. Location only in permanent forest production and/or in limited production forest
b. Objectives: develop permanent non-forest activity, release enclave to manage forest easier, repair forest boundary
c. Replacement land; minimum ratio 1:2 (forest area is less than 30% from total area) and minimum 1:1 forest area is more than 30% from total area). The requirement:
   - Location, total area, and boundary are clear
   - Location is directly adjacent with forest
   - Could be reforested through conventional way
   - Conflict free
   - Recommendation from governor and Head of district
d. Procedures:
   - Requester submits document administration to MoF
   - MoF establishes *Tim Terpadu*(comprehensive team) to asses, research and survey and then give the recommendation to Minister
   - Minister provides *persetujuanprinsip* (principle agreement) if MoF agree and rejection letter if doesn't agree. *persetujuanprinsip* (principle agreement) will be valid for 2 years.

Annex IV: SPO INITIATIVE RISK LOG

#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
	Baseline study or strategic assessment will not be endorsed by key government entities		**Strategic risk**	If the baseline study and the strategic assessment that form the basis for policy interventions and pilot project designs are not fully owned or endorsed by the government, then the implementation of the project will be significantly undermined. Probability (P 1-5): Impact (I 1-5): PxI :	Hold regular discussions with key stakeholders, especially with Ministry of Agriculture, Ministry of Forestry, and local governments and additional consultation with MoE, BAPPENAS and Ministry of Finance to ensure everyone's commitment and agreement regarding the outputs.				
	The Project designed to undertake activities linked to Output 1 is limited to three pilot provinces.		**Strategic risk**	This risk diminishes the scalability. Probability (P 1-5): Impact (I 1-5): PxI :	Ensure that during the design phase of the pilot province activities, to also consider the relevance and applicability of lessons learned from these projects and how they can be up-scaled.				
	Donor coordination is ineffective		**Financial/ Organizational risk**	Lack of donor coordination could affect partnership with private sector and make funding of pilot projects unpredictable. Probability (P 1-5): Impact (I 1-5):	Active exchange of information will be maintained among the program and donor partners.				

#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
				Pxl :					
	Risk of misuses or misappropriation funds		**Financial Risk**	The project will enhance capacity for financial monitoring of all activities, with emphasis on the field validation of outputs, beneficiaries interview, and review of financial expenditure (esp. micro-finance scheme). It will affect and can cause delay of the project implementation. Probability (P 1-5): Impact (I 1-5): Pxl :	Conditional disbursement of funds depending on proves of appropriate usage of amounts. (Quid-pro-quo scheme).				
	Commitment of the GoI towards implementing ISPO does not remain firm.		**Political Risk**	Lacking high-level support, progress in ISPO implementation would be low. Probability (P 1-5): Impact (I 1-5): Pxl :	Linking the programme to the national climate change goals, which have strong political support.				
	Limited collaboration among the government agencies		**Political risk**	Limited collaboration among the key government agencies will slow the project caused by uncoordinated or inefficient implementation of activities.	Identify key milestones, and ensure participatory approach of the involved parties				

#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
				Probability (P 1-5): Impact (I 1-5): PxI :					
	Limited ownership of the policy intervention will hinder socialization and implementation of polices		**Political risk**	If the key government stakeholders are not fully engaged in the development of the policy interventions, effective implementation of the policies cannot be guaranteed Probability (P 1-5): Impact (I 1-5): PxI :	Employ participatory approach and ensure that relevant stakeholders are engaged in the policy development phase as well as during the design of and implementation of the policies				
	Project inputs (funds, human resources, other inputs) are not mobilized in a timely fashion		**Operational risk**	Many of the inputs and outputs are interlinked and therefore untimely mobilization of one input or untimely delivery of one output could delay the project implementation. Probability (P 1-5): Impact (I 1-5): PxI :	Ensure that the PMU are set up with strong project management and regular communication among different key parties within the PMU and stakeholders to ensure timely delivery				
INSTRUCTIONS FOR RISK LOG BELOW									
1	Enter a brief description of the risk	When was the risk first identified	Environmental Financial Operational	Describe the potential effect if this risk were to occur Enter probability on a scale	What actions have been taken/will be taken to manage this risk	Who has been appointed to keep an eye on this risk	Who submitted the risk	When was the status of the risk last	e.g. dead, reducing, increasing, no change,

#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
			Organizational Political Regulatory Strategic Other Subcategories for each risk type should be consulted to understand each risk type	from 1 (low) to 5 (high) P = Enter impact on a scale from 1 (low) to 5 (high) I = The " P x I " scores help to prioritize the risks (higher the score, higher the priority)				checked	other

Annex V: COUNTRY OFFICE SUPPORT SERVICE (COSS) AGREEMENT

AGREEMENT BETWEEN UNDP AND THE GOVERNMENT FOR THE PROVISION OF SUPPORT SERVICES

1. Reference is made to consultations between officials of the Government of Indonesia/Ministry of Agriculture (hereinafter referred to as "the Government") and officials of UNDP with respect to the provision of support services by the UNDP country office for nationally managed programmes and projects. UNDP and the Government hereby agree that the UNDP country office may provide such support services at the request of the Government through its institution designated in the relevant programme support document, as described below.
2. The UNDP country office may provide support services for assistance with reporting requirements and **direct payment**. In providing such support services, the UNDP country office shall ensure that the capacity of the Government-designated institution is strengthened to enable it to carry out such activities directly. The costs incurred by the UNDP country office in providing such support services shall be recovered from the administrative budget of the office.
3. The UNDP country office may provide, at the request of the designated institution, the following support services for the activities of the programme:
   (a) Identification and/or recruitment of project and programme personnel and technical expertise;
   (b) Procurement of goods and services to undertake agreed activities;
   (c) Administration of the donor contribution;
   (d) Management of grant agreements and related disbursements for project-related activities. (To be specified in the project details)
4. The procurement of goods and services and the recruitment of programme personnel by the UNDP country office shall be in accordance with the UNDP regulations, rules, policies and procedures.
5. The relevant provisions of the Revised Basic Agreement for Technical Assistance signed 29 October 1954 between the United Nations, the International Labour Organisation, the Food and Agriculture Organisation of the United Nations, the United Nations Educational, Scientific and Cultural Organisation, the International Civil Aviation Organisation, and the World Health Organisation and the Government of the Republic of Indonesia, the Standard Agreement on Operational Assistance signed 12 June 1969 between the United Nations, the International Labour Organisation, the Food and Agriculture Organisation of the United Nations, the United Nations Educational, Scientific and Cultural Organisation, the International Civil Aviation Organisation, the World Health Organisation, the International Telecommunication Union, the World Meteorological Organisation, the International Atomic Energy Agency, the Universal Postal Union, the Inter-Governmental Maritime Consultative Organisation and the United Nations Industrial Development Organisation and the Government of the Republic of Indonesia and the Agreement signed 7 October 1960 between the United Nations Special Fund and the Government of the Republic of Indonesia including the provisions on liability and privileges and immunities, shall apply to the provision of such support services. The Government shall retain overall responsibility for the nationally managed programme through its designated institution. The responsibility of the UNDP country office for the provision of the support services described herein shall be limited to the provision of such support services detailed in the annex to the programme support document.
6. Any claim or dispute arising under or in connection with the provision of support services by the UNDP country office in accordance with this letter shall be handled pursuant to the relevant provisions of the above mentioned agreements.
7. The manner and method of cost-recovery by the UNDP country office in providing the support services described in paragraph 3 above shall refer to the enhanced UNDP UPL (Universal Price List) effective date 1 October 2011.
8. The UNDP country office shall submit progress reports on the support services provided and shall report on the costs reimbursed in providing such services, as may be required.
9. Any modification of the present arrangements shall be effected by mutual written agreement of the parties here to.

Annex VI: SUPPLEMENTAL PROVISIONS TO THE PROJECT DOCUMENT

Standard annex to project documents for use in countries which are not parties to the Standard Basic Assistance Agreement (SBAA)

Standard Text: Supplemental Provisions to the Project Document: The Legal Context

General responsibilities of the Government, UNDP and the executing agency

1. All phases and aspects of UNDP assistance to this project shall be governed by and carried out in accordance with the relevant and applicable resolutions and decisions of the competent United Nations organs and in accordance with UNDP's policies and procedures for such projects, and subject to the requirements of the UNDP Monitoring, Evaluation and Reporting System.

2. The Government shall remain responsible for this UNDP-assisted development project and the realization of its objectives as described in this Project Document.

3. Assistance under this Project Document being provided for the benefit of the Government and the people of (the particular country or territory), the Government shall bear all risks of operations in respect of this project.

4. The Government shall provide to the project the national counterpart personnel, training facilities, land, buildings, equipment and other required services and facilities. It shall designate the Government Co-operating Agency named in the cover page of this document (hereinafter referred to as the "Co-operating Agency"), which shall be directly responsible for the implementation of the Government contribution to the project.

5. The UNDP undertakes to complement and supplement the Government participation and will provide through the Executing Agency the required expert services, training, equipment and other services within the funds available to the project.

6. Upon commencement of the project the Executing Agency shall assume primary responsibility for project execution and shall have the status of an independent contractor for this purpose. However, that primary responsibility shall be exercised in consultation with UNDP and in agreement with the Co-operating Agency. Arrangements to this effect shall be stipulated in the Project Document as well as for the transfer of this responsibility to the Government or to an entity designated by the Government during the execution of the project.

7. Part of the Government's participation may take the form of a cash contribution to UNDP. In such cases, the Executing Agency will provide the related services and facilities and will account annually to the UNDP and to the Government for the expenditure incurred.

(a) Participation of the Government

1. The Government shall provide to the project the services, equipment and facilities in the quantities and at the time specified in the Project Document. Budgetary provision, either in kind or in cash, for the Government's participation so specified shall be set forth in the Project Budgets.

2. The Co-operating Agency shall, as appropriate and in consultation with the Executing Agency, assign a director for the project on a full-time basis. He shall carry out such responsibilities in the project as are assigned to him by the Co-operating Agency.

3. The estimated cost of items included in the Government contribution, as detailed in the Project Budget, shall be based on the best information available at the time of drafting the project proposal. It is understood that price fluctuations during the period of execution of the project may necessitate an adjustment of said contribution in monetary terms; the latter shall at all times be determined by the value of the services, equipment and facilities required for the proper execution of the project.

4. Within the given number of man-months of personnel services described in the Project Document, minor adjustments of individual assignments of project personnel provided by the Government may be made by the Government in consultation with the Executing Agency, if this is found to be in the best interest of the project. UNDP shall be so informed in all instances where such minor adjustments involve financial implications.

5. The Government shall continue to pay the local salaries and appropriate allowances of national counterpart personnel during the period of their absence from the project while on UNDP fellowships.

6. The Government shall defray any customs duties and other charges related to the clearance of project equipment, its transportation, handling, storage and related expenses within the country. It shall be responsible for its installation and maintenance, insurance, and replacement, if necessary, after delivery to the project site.

7. The Government shall make available to the project - subject to existing security provisions - any published and unpublished reports, maps, records and other data which are considered necessary to the implementation of the project.

8. Patent rights, copyright rights and other similar rights to any discoveries or work resulting from UNDP assistance in respect of this project shall belong to the UNDP. Unless otherwise agreed by the Parties in each case, however, the Government shall have the right to use any such discoveries or work within the country free of royalty and any charge of similar nature.

9. The Government shall assist all project personnel in finding suitable housing accommodation at reasonable rents.

10. The services and facilities specified in the Project Document which are to be provided to the project by the Government by means of a contribution in cash shall be set forth in the Project Budget. Payment of this amount shall be made to the UNDP in accordance with the Schedule of Payments by the Government.

11. Payment of the above-mentioned contribution to the UNDP on or before the dates specified in the Schedule of Payments by the Government is a prerequisite to commencement or continuation of project operations.

(b) Participation of the UNDP and the executing agency

1. The UNDP shall provide to the project through the Executing Agency the services, equipment and facilities described in the Project Document. Budgetary provision for the UNDP contribution as specified shall be set forth in the Project Budget.

2. The Executing Agency shall consult with the Government and UNDP on the candidature of the Project Manager a/ who, under the direction of the Executing Agency, will be responsible in the country for the Executing Agency's participation in the project. The Project Manager shall supervise the experts and other agency personnel assigned to the project, and the on-the-job training of national counterpart personnel. He shall be responsible for the management and efficient utilization of all UNDP-financed inputs, including equipment provided to the project.

3. The Executing Agency, in consultation with the Government and UNDP, shall assign international staff and other personnel to the project as specified in the Project Document, select candidates for fellowships and determine standards for the training of national counterpart personnel.

4. Fellowships shall be administered in accordance with the fellowships regulations of the Executing Agency.

5. The Executing Agency may, in agreement with the Government and UNDP, execute part or all of the project by subcontract. The selection of subcontractors shall be made, after consultation with the Government and UNDP, in accordance with the Executing Agency's procedures.

6. All material, equipment and supplies which are purchased from UNDP resources will be used exclusively for the execution of the project, and will remain the property of the UNDP in whose name it will be held by the Executing Agency. Equipment supplied by the UNDP shall be marked with the insignia of the UNDP and of the Executing Agency.

7. Arrangements may be made, if necessary, for a temporary transfer of custody of equipment to local authorities during the life of the project, without prejudice to the final transfer.

8. Prior to completion of UNDP assistance to the project, the Government, the UNDP and the Executing Agency shall consult as to the disposition of all project equipment provided by the UNDP. Title to such equipment shall normally be transferred to the Government, or to an entity nominated by the Government, when it is required for continued operation of the project or for activities following directly therefrom. The UNDP may, however, at its discretion, retain title to part or all of such equipment.

9. At an agreed time after the completion of UNDP assistance to the project, the Government and the UNDP, and if necessary the Executing Agency, shall review the activities continuing from or consequent upon the project with a view to evaluating its results.

10. UNDP may release information relating to any investment oriented project to potential investors, unless and until the Government has requested the UNDP in writing to restrict the release of information relating to such project.

Rights, Facilities, Privileges and Immunities

1. In accordance with the Agreement concluded by the United Nations (UNDP) and the Government concerning the provision of assistance by UNDP, the personnel of UNDP and other United Nations organizations associated with the project shall be accorded rights, facilities, privileges and immunities specified in said Agreement.

2. The Government shall grant UN volunteers, if such services are requested by the Government, the same rights, facilities, privileges and immunities as are granted to the personnel of UNDP.

3. The Executing Agency's contractors and their personnel (except nationals of the host country employed locally) shall:

(a) Be immune from legal process in respect of all acts performed by them in their official capacity in the execution of the project;

(b) Be immune from national service obligations;

(c) Be immune together with their spouses and relatives dependent on them from immigration restrictions;

(d) Be accorded the privileges of bringing into the country reasonable amounts of foreign currency for the purposes of the project or for personal use of such personnel, and of withdrawing any such amounts brought into the country, or in accordance with the relevant foreign exchange regulations, such amounts as may be earned therein by such personnel in the execution of the project;

(e) Be accorded together with their spouses and relatives dependent on them the same repatriation facilities in the event of international crisis as diplomatic envoys.

4. All personnel of the Executing Agency's contractors shall enjoy inviolability for all papers and documents relating to the project.

5. The Government shall either exempt from or bear the cost of any taxes, duties, fees or levies which it may impose on any firm or organization which may be retained by the Executing Agency and on the personnel of any such firm or organization, except for nationals of the host country employed locally, in respect of:

(a) The salaries or wages earned by such personnel in the execution of the project;

(b) Any equipment, materials and supplies brought into the country for the purposes of the project or which, after having been brought into the country, may be subsequently withdrawn therefrom;

(c) Any substantial quantities of equipment, materials and supplies obtained locally for the execution of the project, such as, for example, petrol and spare parts for the operation and maintenance of equipment mentioned under (b), above, with the provision that the types and approximate quantities to be exempted and relevant procedures to be followed shall be agreed upon with the Government and, as appropriate, recorded in the Project Document; and

(d) As in the case of concessions currently granted to UNDP and Executing Agency's personnel, any property brought, including one privately owned automobile per employee, by the firm or organization or its personnel for their personal use or consumption or which after having been brought into the country, may subsequently be withdrawn therefrom upon departure of such personnel.

6. The Government shall ensure:

(a) prompt clearance of experts and other persons performing services in respect of this project; and

(b) the prompt release from customs of:

(i) equipment, materials and supplies required in connection with this project; and

(ii) property belonging to and intended for the personal use or consumption of the personnel of the UNDP, its Executing Agencies, or other persons performing services on their behalf in respect of this project, except for locally recruited personnel.

7. The privileges and immunities referred to in the paragraphs above, to which such firm or organization and its personnel may be entitled, may be waived by the Executing Agency where, in its opinion or in the opinion of the UNDP, the immunity would impede the course of justice and can be waived without prejudice to the successful completion of the project or to the interest of the UNDP or the Executing Agency.

8. The Executing Agency shall provide the Government through the resident representative with the list of personnel to whom the privileges and immunities enumerated above shall apply.

9. Nothing in this Project Document or Annex shall be construed to limit the rights, facilities, privileges or immunities conferred in any other instrument upon any person, natural or juridical, referred to hereunder.

Suspension or termination of assistance

1. The UNDP may by written notice to the Government and to the Executing Agency concerned suspend its assistance to any project if in the judgement of the UNDP any circumstance arises which interferes with or threatens to interfere with the successful completion of the project or the accomplishment of its purposes. The UNDP may, in the same or a subsequent written notice, indicate the conditions under which it is prepared to resume its assistance to the project. Any such suspension shall continue until such time as such conditions are accepted by the Government and as the UNDP shall give written notice to the Government and the Executing Agency that it is prepared to resume its assistance.

2. If any situation referred to in paragraph 1, above, shall continue for a period of fourteen days after notice thereof and of suspension shall have been given by the UNDP to the Government and the Executing Agency, then at any time thereafter during the continuance thereof, the UNDP may by written notice to the Government and the Executing Agency terminate the project.

3. The provisions of this paragraph shall be without prejudice to any other rights or remedies the UNDP may have in the circumstances, whether under general principles of law or otherwise.