

Indonesia: Indonesia Climate Adaptation and Green Resilience Program – Sub-Program 1

Project Number 001111

Environmental and Social Assessment of the Prior Actions Supported by the Program

Prior Action	Likely environmental impact	Likely social impact
(completed) PA 1.1 To improve nationally coordinated agricultural advisory services in support of accelerated and sustainable food self-sufficiency, the President has issued Presidential Instruction No. 3/2025 through which agricultural extension workers are transferred from local government management to the central government.	Positive impact. More consistent dissemination and uptake of CSA, integrated pest management (IPM), and safer agrochemical handling is expected to reduce vulnerability to climate variability. Transition risks may arise if service delivery is disrupted or if productivity incentives increase agrochemical use without adequate ES risk management, potentially causing localized soil and water impacts. Risk mitigation is through service continuity and strengthened/standardized extension curriculum on CSA/IPM, safe agrochemical handling, integrated pesticides management, and good environmental practices. No physical investments are directly financed under this PA.	Positive Impact. Centralization is expected to improve equity of advisory service delivery, directing more consistent support to smallholder farmers, including women farmers, who are historically underserved by the fragmented district-managed system. It creates the institutional basis for systematic integration of climate risk information and climate-smart practices into rural advisory services nationwide. The results framework includes sex disaggregated reporting on climate-smart agriculture training under this prior action. The phased transfer of approximately 40,000 extension workers was reported complete as of January 2026, with no livelihood loss or adverse transition reported, under the Law No. 20/2023 on the State Civil Apparatus and the formal transfer mechanism administered by the National Civil Service Agency (BKN) pursuant to Presidential Instruction No. 3/2025.
(completed) PA 1.2 To accelerate coordinated	Positive impact. Improved coordination and efficiency can	Positive Impact. Improved coordination and

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irrigation development and maintenance in support of food self-sufficiency, the Government has established a coordinated framework for the development, upgrading, rehabilitation, and operation and maintenance of irrigation networks through Presidential Instruction No. 2/2025, dated Jan. 30, 2025.	support climate resilient irrigation and water use efficiency. Water sustainability risks may arise if modernization and improved reliability increase abstractions and exacerbate water stress where not aligned with basin water availability and water allocation protocols. Risk mitigation is through improved environmental screening and permitting (as relevant) and linking cumulative impact assessment to river basin water sustainability analysis. No physical investments are directly financed under this Prior Action.	water management is expected to deliver positive social benefits for rural farming households dependent on irrigated food crop production across approximately 7.5 million hectares. Improved irrigation reliability during critical cropping periods reduces livelihood risk from water stress, with particular benefits for women farmers concentrated in food crop production on smaller irrigated plots. PA 1.2 is a planning and coordination mandate. Social risks associated with specific rehabilitation works are downstream project-level impacts not attributable to this Prior Action.
(completed) PA 1.3 — The Government has strengthened climate adaptation mainstreaming in intergovernmental fiscal transfers through Ministry of Finance Regulation No. 7/2026, which embeds the Village Climate Risk Index (IRID) into the Village Fund (Dana Desa) allocation system to direct additional resources to climate-vulnerable villages.	Positive impact. Better targeting of village level climate resilient investments is expected to support adaptation in climate vulnerable villages. No likely adverse environmental impacts are expected from the fiscal policy reform itself, noting that environmental outcomes will depend on the nature of village investments and their screening/implementation under applicable government systems.	Positive Impact. The IRID-based allocation (through affirmative allocations for high climate-risk villages) is an equity-positive fiscal reform directing additional Dana Desa resources to villages most exposed to climate risks, which are disproportionately home to low-income rural households and communities with limited capacity to self-finance adaptation.

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		No likely significant adverse social impact identified. The same regulation separately directs 58.03% of each village's allocation to the KDMP cooperative program (Article 15(3)), a distinct Government flagship initiative outside the Program's scope. Public views on the uniform share are assessed as relating to the flagship program rather than to Prior Action. The regulation carries its own equity safeguards, such as village deliberation over the regular allocation (Article 20), BLT as a priority use, redistribution of regular allocations toward disadvantaged villages. AIIB will monitor through regular Program arrangements and the PA 1.3 results indicator. SP2 design will pay further attention to the most vulnerable and lowest-capacity villages.
(completed) PA 1.4 To strengthen institutional support for social forestry implementation and Community-Based Social Forestry Enterprises (KUPS), the Ministry of Forestry has issued Regulation No. 7 of 2025 on the organization and work procedures of Social Forestry Centers.	Positive impact. Strengthened support to Social Forestry groups can promote sustainable forest management and climate resilient land use consistent with FOLU Net Sink 2030, particularly where assistance promotes low impact practices and stronger standards/monitoring. There is likely adverse risk of localized degradation and	Positive Impact. The reform strengthens the institutional capacity of Social Forestry Centers to deliver technical guidance, enterprise development support, and market facilitation for approximately 1.2 million households across over 9,000 social forestry groups, improving access to livelihoods support for rural

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	pressures on natural resources if activity expansion proceeds without adequate environmental consideration or where local governance/enforcement is deficient; mitigation is expected through strengthened sustainability standards, monitoring, and capacity building at subnational and community levels. The KUPS financing-readiness framework is to include sustainable forest-based value-chain criteria, environmental considerations, biodiversity protection, customary/community engagement, benefit-sharing, and RKPS/RKT planning and monitoring. No physical investments are directly financed under this Prior Action.	and customary communities whose economic opportunities depend on social forestry arrangements. The Centers' statutory mandate includes community facilitation, local knowledge inventory, and tenorial conflict mapping, reflecting a participatory approach. KfW, supports the national social forestry framework within which the Centers operate. An implementation consideration relates to the need for the relevant implementing agency to facilitate the inclusion of Masyarakat Adat in the planning process.

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Reform Area 2: Ecosystem-Based Climate Resilience		
(completed) PA 2.1 — To strengthen coastal resilience, the Government has enacted Government Regulation No. 27/2025 on the Protection and Management of Mangrove Ecosystems, establishing a national framework for mangrove protection, management, rehabilitation, and conversion control in forest and non-forest areas.	Positive impact. Strengthens mangrove protection, rehabilitation, and management, supporting biodiversity, coastal resilience, and blue carbon. Effectiveness depends on implementation and enforcement capacity; there is potential risk of displacement (“leakage”) of pressure to adjacent coastal areas if restrictions are not paired with broader coastal management, consistent subnational enforcement and capacity building.	Positive Impact. PP 27/2025 provides legally binding recognition of traditional utilization rights for customary communities in both protective and cultivation function mangrove areas, including collection of non-timber products, silvofishery, and subsistence use. The regulation establishes community participation mandates and financial incentive mechanisms, including compensation, partnership facilities, and levy reductions for communities conserving and restoring mangroves, benefiting coastal communities who depend on mangrove ecosystem services.
(completed) PA 2.2 — To strengthen climate-informed and environmentally sustainable development planning, the Government has enacted Government Regulation No. 26/2025 on Environmental Protection and Management Planning, which regulates environmental inventory, ecoregion determination, and the preparation and use of RPPLH as a basis for development and spatial planning.	Positive impact. Mainstreams environmental carrying capacity and climate considerations into subnational planning, reducing long term environmental risks. Effectiveness depends on plan quality and adoption. There is a risk of low-quality plans/limited effectiveness due to subnational capacity constraints and uneven implementation.	Positive Impact. PP 26/2025 mandates inclusion of tribal distribution, local knowledge, and customary community data as mandatory inputs into RPPLH preparation, providing a regulatory basis for indigenous and community data to inform long-term environmental planning. The regulation formally establishes community participation as a legal right through data submission, opinions, and complaint channels, creating a structural pathway for community interests to inform subnational development and investment planning.

(completed) PA 2.3 — To operationalize incentive-based environmental economic instruments for maintaining and improving the quality of environmental services, the Government has established the regulatory framework for the development of Payment for Environmental Services systems, including performance-based cooperation agreements between environmental service providers and users, through Minister of Environment/Head of BPLH Regulation No. 2/2025, dated April 14, 2025.	Positive impact. Incentivizes ecosystem protection and restoration (e.g., watersheds, resilience). Outcomes depend on scheme design and monitoring; there is risk of focusing on more easily monetized services rather than priority environmental functions if not balanced, which is expected to be mitigated through technical guidelines and strengthened monitoring/MRV as the mechanism is operationalized. The PPLH technical guidance to include ecological prioritization, biodiversity and resilience considerations, transparent benefit-sharing, monitoring, reporting and verification.	Positive Impact. The PPLH framework provides a formal financial mechanism through which communities and customary rights holders who have historically managed and conserved ecosystems without remuneration can receive compensation for the ecosystem services their stewardship generates. This is directly beneficial for indigenous and rural communities managing forests, watersheds, and coastal ecosystems.
Reform Area 3: Resilient Local Service Delivery		
(completed) PA 3.1 To expand financing options for subnational infrastructure and public service investments, the Government has established a framework for subnational lending sourced from banks and non-bank financial institutions through Ministry of Finance Regulation No. 11/2026, dated March 4, 2026.	Neutral impact. Establishes a financing framework only. Environmental impacts, if any, would be associated with investments financed under the framework and are outside the scope of this CPBF ES analysis.	Positive Impact. PP 11/2026 explicitly recognizes public service provision as a legitimate lending purpose under Article 3, including for water, sanitation, solid waste, and social facilities where social returns exceed direct financial revenues improving access to infrastructure financing for subnational governments serving low-income communities.

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(completed) PA 3.2 — To coordinate and streamline integrated upstream-to-downstream solid waste management reform, the Minister of National Development Planning/Head of Bappenas has issued Decree No. KEP.111/M.PPN/HK/12/2025 establishing the National Strategic Coordination Team for the Integrated Waste Management Reform Program, and SNI 3964:2025 on standardized methods for measuring municipal waste generation and composition has been adopted.	Positive impact. Strengthens coordination and investment preparation for improved solid waste management, supporting reduced pollution (including marine litter) and methane. Environmental outcomes will depend on investment choices and the application of environmental assessment/permitting requirements during implementation.	Positive Impact. Improved solid waste management investment preparation is expected to directly benefit communities living near unmanaged waste sites, which are disproportionately low-income and peri-urban populations. Standardized waste measurement data under SNI 3964:2025 can improve investment targeting toward municipalities with the greatest service gaps. Inclusion of waste pickers and informal recyclers are also part of the national solid waste management roadmap being prepared by the Government. They have consulted the Indonesian waste pickers' association in preparing the roadmap, which provides upskilling and green jobs opportunities for the informal sector.
(completed) PA 3.3 — To set the national framework for safe, sustainable, and disaster- and climate-resilient drinking water supply, the Government has adopted the National Policy and Strategy for the Implementation of Drinking Water Supply Systems (Jakstranas SPAM) for 2026–2030 through Ministry of Public Works Regulation No. 6/2026, dated March 13, 2026.	Positive impact. Supports improved SPAM planning and service delivery, with potential co-benefits for raw water reliability, water quality protection, disaster and climate-risk management, and reduced pollution where drinking water planning is coordinated with sanitation and wastewater considerations. No material adverse environmental impacts are expected at the policy level; outcomes will depend on implementation and compliance with applicable environmental requirements.	Positive Impact. This prior action strengthens the governance framework for drinking water service delivery, including integrated planning, service standards, and enabling provisions for sustainable financing and climate resilience investment. Improved governance and planning capacity supports progress toward universal access to safe drinking water, with direct benefits for low-income and underserved communities currently dependent on informal or self-supply water sources.