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File Ref: PO 8174

Date: 29th April 2021

Contract Amendment No: 2

CONTRACT FOR: Implementation of the Multi-Stakeholder Forestry Programme Phase 4 (MFP4)

CONTRACT NUMBER: PO 8174

With reference to the contract dated 6th September 2018, as most recently amended by the letter dated 17th December 2019 both Parties have in principle agreed to the following variations to the Contract:

Section 1 – Form of Contract

3. Commencement Date and End Date of Initial Period

Delete: 17th August 2021

Insert: 31st March 2023

4. Financial Limit

Delete: £5,999,835

Insert: £8,798,040

Section 3 – Terms of Reference

Delete: In toto

Insert: Terms of Reference (Revised October 2020)

Include: "Appendix A, of contract section 3 (Terms of Reference)" attached

Section 5 – Schedule of Prices

Paragraph 1.

Delete: The amount to be paid for the completion of the services is fixed at £5,999,835

Insert: The amount to be paid for the completion of the services is fixed at £8,798,040

Paragraph 3. Milestone Payments – (REDACTED)

Paragraph 5. Cost Breakdown – (REDACTED)



Delete: Proforma 1-12

Insert: Proforma 1-12 (Revised October 2020) **(REDACTED)**

2. This amendment relates to a 19 month extension and a £2,798,205 increase to the financial limit.
3. Please confirm in writing by signing and returning one copy of this letter, within **15 working days** of the date of signature on behalf of FCDO that you accept the variations set out herein.
4. The Contract, including any previous variation, shall remain effective and unaltered except as amended by this letter.
5. Words and expressions in this letter shall have the meanings given to them in the Contract.

Signed by an authorised signatory for and on behalf
of the Secretary of State for Foreign, Commonwealth
and Development Affairs.

Name:

Position:

Signature:

Date:

Signed by an authorised signatory for and on behalf of
Palladium International Limited

Name:

Signature:

Date:

Enc

Terms of Reference (Revised October 2020)

Appendix A – GDPR General Data Protection Regulations

Proforma 1-11 (Revised October 2020) (REDACTED)

Section 3

TERMS OF REFERENCE

Implementation of the Multi-stakeholder Forestry Programme Phase 4 (MFP4) in Indonesia

INTRODUCTION

1. The Foreign, Commonwealth and Development Office (FCDO) leads the UK's efforts to tackle poverty and global challenges in the national interest. The UK Climate Change Unit (UKCCU) / FCDO Indonesia supports efforts to reduce Indonesia's greenhouse gas emissions in forest and land use sectors which combined account for around 50% of Indonesia's total emissions and is a principal reason why Indonesia is presently the world's fifth highest GHG emitter^{1,2}.
2. Deforestation rates in Indonesia remain amongst the highest in the world³, resulting not only in high levels of emissions but significant loss of revenues⁴. Historically, illegal logging was a principal driver of deforestation: in the early 2000s up to 80% of the national harvest was estimated to be illegal⁵. To tackle this, the Government of Indonesia (GoI) established a timber legality assurance system – known as SVLK – to verify timber production as legal. This was complemented by further reforms including a mandatory system of sustainable forest management (known as PHPL), the establishment of a network of local Forest Management Units (FMUs), and more recently a Social Forestry scheme whereby 12.7m hectares of state forest are being identified for community use. These reform measures are intended to not only strengthen forest management but also improve livelihoods, reduce inequalities, and improve economic growth.
3. Through GoI's substantial reforms to timber legality, developed through multi-stakeholder dialogue and supported by the UK, last year Indonesia achieved a milestone in being the first country in the world to be recognised under the EU Forest Law Enforcement, Governance, and Trade (FLEGT) timber trading scheme. FLEGT licenced wood products entering European markets are considered legally sourced, removing the need for due diligence checks by importers required under the EU's Timber Regulations (EUTR). This is a globally significant development in tackling deforestation. As a result of these efforts, reported incidents of illegal logging in Indonesia have fallen 20-fold in the last 10 years⁶.
4. SVLK certification was fully implemented in 2015, and the system of FLEGT licencing is only a year old. While rates of illegal logging have fallen it is too early to tell whether there has been any impact on trade. Concerns remain within the international market about the sustainability of Indonesia's timber supply, and some domestic industries continue to question the value of SVLK/FLEGT. Continual strengthening of the underlying systems – including independent monitoring – is needed, combined with awareness raising of these improvements, to further increase the confidence of international buyers and domestic suppliers.
5. Through SVLK/FLEGT implementation and other measures, the GoI has shown a strong political will to improve forest governance in the country. Wholesale reductions in illegal logging over the last 15 years were made possible as a result of strengthened national systems of governance reaching across all aspects of the timber supply chain. Evidence is mounting that forest governance at local levels through stronger systems of local ownership and management are necessary to foster more sustainable management of

¹ Climate Analysis Indicators Tools: <http://cait.wri.org/>

² Government of Indonesia 2016, Indonesian First Nationally Determined Contribution

³ FAO 2016, Global Forest Resource Assessment 2015, <http://www.fao.org/3/a-i5415e.pdf>

⁴ Government of Indonesia Corruption Eradication Commission, 2015, official data

⁵ Chatham House illegal logging date: <https://indicators.chathamhouse.org/explore-the-data/indonesia>

⁶ Data from Indonesian Ministry of Environment and Forestry



forests and improve incomes⁷. Inadequate access for local people to utilise production forests, in which limited alternative incomes exist, is also believed a factor that is contributing to high illegal activities in forest areas.

6. The absence of forest institutions at the local level is thought to contribute to the high rates of deforestation and degradation across the country. FMUs (or Kesatuan Pengelolaan Hutan 'KPH') were instituted by the GoI to manage forest resources at the site level. The enactment of Law Number 23 Year 2014 authorises Indonesia's 34 provincial governments to take responsibility for managing their forest areas. It also supports the roles of KPH to oversee and manage forest resources falling within their jurisdiction. Legal frameworks to support such roles are also strengthened through the issuance of respective Ministerial Decrees such as P81/2015, P83/2016 and P49/2017.
7. A high priority of the GoI is to increase ownership of state forest ('Social Forestry') and agricultural land ('Agrarian Reform') by communities and increase their economic productivity, as a means to reduce economic and social inequalities. Support to community forest management and development of small and medium-sized forest businesses can therefore meet the dual objectives of tackling deforestation while supporting the GoI's economic reform agenda.
8. Across Indonesia, communities generally lack the necessary skills (technical, business) and financial resources to successfully start-up and grow profitable businesses. Credit and grant financing is available from a number of sources, as is technical knowledge on forestry and agro-forestry, but a number of barriers exist to accessing these resources. There is also a need for skills transfer in business development and in access to market information. Improving access to the skills, knowledge and resources for community forest business development has the potential to grow in scale the number and economic value of forest SMEs in support of the government's environmental, social, and economic ambitions.
9. Several MOEF directorates have potential to be key enablers of community forest business development and sustainable forest management. The Government of Indonesia with the support of MFP4 will strengthen MOEF directorates to implement SVLK and achieve sustainable forest management, and to empower local forest-dependent communities and improve their economic welfare.
10. Since 2000 FCDO has been supporting Indonesia to strengthen governance in its forest sector through the Multi-stakeholder Forestry Programme (MFP). Phase 3 of the programme⁸ is ending in April 2018, and FCDO is seeking a Supplier to manage implementation of Phase 4 (MFP4). MFP3 and MFP4 are components of FCDO's global Forest Governance, Markets, and Climate (FGMC) programme⁹. FGMC is operational until August 2021 and is funded from the UK's International Climate Fund¹⁰.

OBJECTIVES

11. In support of Indonesia's objectives for strengthening forest governance, MFP4 will directly contribute towards FGMC's *outcome* to bring about governance and market reforms that reduce the illegal use of forest resources and benefit poor people, and contribute to FGMC's *impact* to improve management of forests for poverty reduction, biodiversity conservation, and climate protection.
12. MFP4 will deliver against this outcome and impact through the following two objectives:

⁷ FAO 2016, Forty years of community-based forestry: A review of its extent and effectiveness

⁸ Multistakeholder Forestry Programme phase 3 official website: <http://mfp.or.id/index.php/en/>

⁹ <https://devtracker.FCDO.gov.uk/projects/GB-1-201724>

¹⁰ <https://www.gov.uk/government/publications/international-climate-fund/international-climate-fund>



- A. Growth in sustainable and legal timber production: Ensure the effectiveness and sustainability of the national timber legality assurance system 'SVLK', which underpins FLEGT licencing, to further strengthen confidence amongst international buyers and domestic suppliers;
- B. Growth in community-based forest businesses: Catalyse community forest business development to foster more sustainable use of forests, reduce forest degradation and deforestation, and improve prosperity.

13. Over the lifetime of the programme it is expected that more than 50% of the inputs will be channelled towards objective B.

OUTPUTS

14. The programme is expected to deliver the following outputs.

A. Growth in sustainable and legal timber production:

Output 1: Messages and incentives developed to build trust and endorsement of Indonesian FLEGT timber among domestic and international markets.

- I. Support the successful communication and marketing of an enhanced FLEGT timber brand.
- II. Facilitation of multi-stakeholder collaboration, leading to concrete action to improve acceptance of FLEGT timber among domestic and international markets.
- III. Support to addressing Gender, Equality and Social inclusion risks in the wood industry and communicate the role of women's leadership in SVLK.
- IV. Support provided to securing endorsements of FLEGT / SVLK timber by governments, institutions and/or businesses in target international markets.
- V. Support provided to the development of Indonesian government procurement processes, based on commitments that endorse SVLK timber.

Output 2: An enhanced, expanded and trusted national system that regulates the supply of Indonesian timber.

- I. Support provided to addressing priorities for SVLK system strengthening, as set out in the VPA action plan.
- II. Support an improved enabling environment for community forest groups and SMEs to adopt and comply with SVLK.
- III. Support of effective collaboration and strengthening of the capacity of VPA stakeholders to support the system and improve forest governance.
- IV. Support progress towards establishing and addressing timber legality issues through a strengthened SVLK complaint mechanism.
- V. Support progress toward establishing a long-term financing strategy for Independent Forest Monitoring
- VI. Support progress to improving the enabling environment for sustainable forest management in Indonesia's timber production zones.



B. Growth in community-based forest businesses:

Output 3: Incubation of Community Based Forest Enterprises (CBFEs) that provide economic, environmental and social benefits to forest-dependent communities.

- I. Establishment of thirteen (13) agreements for 'Community Forest Partnerships' between Community Based Forest Enterprises, government enablers and market access players
- II. Establishment of seven (7) Community Based Forest Enterprise business plans.
- III. Preparation of seven (7) Community Based Forest Enterprises for pilot or trial.
- IV. Preparation of six (6) Community Based Forest Enterprises for commercial scale up.
- V. Support Community Based Forest Enterprise-relevant value chains with inclusive leadership roles for women and marginalized group members.

Output 4: Improving the enabling conditions needed to sustain, accelerate and replicate inclusive community forest partnerships.

- I. Support and facilitate identified priority enablers from the public sector – including MOEF Forest Management Units – and private sector needed to facilitate the growth of Community Based Forest Enterprises
 - II. Facilitate policies, regulations and guidelines needed to promote Gender, Equality and Social Inclusion within community forestry sectors.
15. These will make a contribution towards the following indicative outcome level KPIs:

Outcome level:

- I. Improved perceptions of the Indonesian timber sector amongst international buyers
 - II. Strengthened government regulations governing the supply of Indonesian timber, in support of maximum SVLK coverage and the long-term functioning of VPA institutions
 - III. Increased capital flowing to Community Forest Partnerships, including revenue, loans, and investments
 - IV. Systemic changes in the public and private sectors that enable the long-term growth of CBFEs in Indonesia.
16. These in turn will make a contribution towards the following indicative impact level KPIs:

Impact Level:

- I. Decrease in the area of degraded and deforested forest
- II. Value from forests accruing to forest dependent people in Indonesia



17. Suppliers are required to provide in their financial plans for ambitious contributions towards these KPIs, whether in relative or absolute terms, and make suggestions for other metrics and targets that demonstrate output level progress.

RECIPIENTS AND CLIENT OF SERVICES

18. The client of services is the UK Foreign, Commonwealth and Development Office (FCDO).
19. The principal recipient of services is the GoI, primarily MOEF along with other line ministries as necessary to deliver the Outputs. Other recipients of services will be those awarded MFP4 grants and sub-contracts.

SCOPE OF SERVICES

20. The programme is expected to deliver the Government of Indonesia's priorities on forest governance reform by collaborating with KLHK directorates, including the network of KPHs. It is expected that emphasis will be given towards areas of production forest most at risk of suffering from illegal activities (e.g. open access areas), or that are currently degraded (e.g. logged-over areas), or locations with social forestry schemes, whether current or potential.

TIMING AND DURATION

21. The contract will be let for an initial period of up to 54 months, to end no later than March 2023, and will be subject throughout to continued satisfactory performance.
22. FCDO reserve the right to scale up/down the contract subject to project need, review recommendations and budget availability.
23. The contract may be extended for up to a further 24 months from July 2021 based on an assessment by FCDO against the following conditions within the final 6 months of the contract:
 - i. continued strong performance of the Supplier;
 - ii. MFP4 priorities remain relevant to the UK and GoI;
 - iii. clear scope to further increase results through MFP4's objectives and outputs.

BUDGET

24. FCDO has identified a budget of £6,000,000, inclusive of VAT (if applicable), for this programme covering the initial period of 36 months. Suppliers should not craft their bids in such a way as to reach the budget ceiling this parameter implies. Bids will be evaluated based on competitiveness of costs proposed as well as demonstration of maximising the effective utilisation of the proposed budget linked to results to be achieved. If FCDO decides to extend the contract an additional budget of up to £4,000,000 for a further 24



months is anticipated. Suppliers are not expected to outline in the bids how they intend to respond to a possible extension.

In April 2021 the contract was extended for a period of 19 months and £2,798,205 was added to the overall financial limit.

THE REQUIREMENTS

Operations

25. To implement MFP4, the Supplier will establish a Technical Assistance Facility (TAF). In delivering its services the TAF will be guided by the following principles:
 - i. Enhance and/or accelerate progress in delivering Indonesia's strategic priorities for sustainable forest management
 - ii. Prioritise national and sub-national governance reforms and capability development, using downstream piloting where needed for demonstration effect
 - iii. Seek to maximise flow of Indonesian domestic revenues for programme objectives
 - iv. Foster inter- and intra-ministry cooperation, and partnerships with officially registered civil society and the private sector
 - v. Maximise potential for ownership and sustainability of functions by GoI through effective exit and transition planning
 - vi. Ensure ability to respond flexibly to changing needs and priorities along MFP4's two objectives
 - vii. Demonstrate quantified, positive impact on labour standards, gender, and equality
26. The services of the TAF will include:
 - i. Provision of programme management, technical, financial, and administrative services – aiming at all times to raise local capacity
 - ii. Sub-contracting and grant-making as required
 - iii. Support for strategic and management oversight by GoI and FCDO
 - iv. Performance management and monitoring covering finance, risk, and results, supported by regular reporting
 - v. Public facing communications including through digital and social media
27. The Supplier will establish an office in Jakarta with sufficient space and services to deliver the programme effectively, ensuring regular contact with key MOEF officials formally engaged in the programme. Some office facilities may be provided by MOEF but additional space may be needed for effective operation.



28. The Supplier will ensure that the TAF retains flexibility to respond to changing needs and priorities to manage risks and maximise opportunities in pursuit of FGMC's outcome and impact, and MFP4's objectives. The level of flexibility will be agreed as part of annual work plans.
29. The Supplier is offered flexibility in the structure and composition of the TAF team, and the required expertise could be drawn from staff, consortium partners, call down arrangements, or other cost-effective ways of securing the required expertise. A Technical Seconded drawn from and nominated by MOEF will form part of the team, with salary and expenses paid for under the contract. The Seconded will take unpaid leave from MOEF and will not represent the GoI during their secondment. All salary and expenses for the FCDO Seconded(s) will be paid for by FCDO and not by the contract.
30. The Supplier will strive for continuity of its core personnel over the life of the contract, through strong recruitment, retention, and performance management processes. Any need for changes to key personnel shall be agreed with FCDO in advance. For any long-term staff, the Supplier will operate a staff performance management system modelled on international best practice.
31. The TAF will operate on the basis of the following key documents, forming part of the Inception Report and developed by the Supplier during the Inception Phase:
 - i. Theory of change, testing whether the outputs will generate the results expected through the programme, and proposing whether amendments could maximise results delivery
 - ii. Results framework / logframe, setting out results and milestones to be delivered during the Implementation Phase, ensuring consistency with FGMC monitoring and evaluation, to include results for impact on gender, equality, and modern slavery
 - iii. Workplan, outlining activities agreed through consultation with programme stakeholders, updated annually
 - iv. Financial plan, outlining financial review and performance management processes, audit requirements, an asset register, and approach to counter-fraud and anti-corruption
 - v. Risk register, outlining principal risks and plans for their treatment where needed, including mapping and risk management of downstream partners
 - vi. Reporting plan, outlining the schedule for drafting, reviewing, and finalisation
 - vii. Governance arrangements, both structure and timing of meetings, agreed through consultation with FCDO and MOEF
32. The programme will comprise an Inception Phase lasting approximately 3 months, and an Implementation Phase covering the remaining period of the programme. There will be a break clause in the contract at the end of the Inception Phase. FCDO will review performance at that point, including the Inception Report, and if satisfied confirm the full contract and move to the Implementation Phase. There will be a further break clause after an independent mid-term review of the contract (where the MTR is undertaken and contracted by FGMC's M&E function). Continuation of the programme is dependent upon progress being assessed as satisfactory, or where deemed less than satisfactory due to factors that could not have been anticipated and/or mitigated. Final judgement on continuation or discontinuation remains with FCDO.
33. The Supplier will ensure that the operations of the TAF including any procurement and grant-making aim to maximise resource efficiency and minimise carbon output and other pollutants in particular plastics in line with Indonesia's commitment to plastic reduction. Systems of corporate reporting will be developed that allow tracking of progress against these environmental measures.



34. To be effective in providing the services required of the TAF, the Supplier will be expected to liaise and cooperate with a range of government and civil society organisations, and especially with other FCDO funded programmes operating in Indonesia.

Financial

35. Any procurement or grant-making undertaken by the Supplier will be in accordance with international best practice. The Supplier should generate a manual/manuals setting out the way in which they will undertake procurement and/or grant-making and all subsequent monitoring for agreement with FCDO during the Inception Phase. The Supplier will be required to provide capital upfront initially and claim back from FCDO monthly in arrears.
36. The Supplier will generate and maintain a Delivery Chain Map that captures in visual form the names of all grantees and/or subcontracts involved in delivering the programme through to the end recipient. The Map will include a summary assessment of risk identified through due diligence procedures and ongoing performance monitoring of sub-partners.

Monitoring, Evaluation, and Reporting

37. The Supplier will deliver the following reports during the lifetime of the contract:
- i. Monthly milestone reports, summarising delivery against all activities and agreed milestones, to be submitted within 10 days of the end of each month and accompanied by an invoice in sufficient detail to clearly and transparently link inputs to outputs
 - ii. Inception Report, to be submitted within 10 weeks of commencing the contract. The Inception Report will confirm the approach to providing the services and requirements set out in these terms of reference, and identifying any recommended changes for improving service delivery. FCDO will provide a written response within two weeks. A final Inception Report will be submitted to FCDO within two weeks of receiving FCDO's response to the draft Inception Report
 - iii. Quarterly progress reports, covering progress during the previous quarter against the workplan and agreed milestones, to include financial performance and review of risks, and submitted within 15 working days following the end of each UK financial quarter
 - iv. Annual reports, submitted within 1 month following the end of 12 month period from the commencement of the contract
 - v. Annual independent audit of accounts
38. The objectives and main headings of the reports will be outlined in the Inception Report. All reports are to be submitted to the FCDO Senior Forestry Governance Adviser for review within the stated timescales. With the exception of monthly reports and annual independent audits, all submitted reports are subject to final approval by the TOC and/or Steering Committee as relevant (see paragraph 0-0).
39. FCDO and MOEF may undertake their own reviews and audits of the Supplier's activities at any point.



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Management and Oversight

40. Final management arrangements will be determined by FCDO and MOEF in discussion with the Supplier – a proposed structure is set out diagrammatically in Annex 2 and described as follows:
 - i. Heads of Agreement: The management structure will be governed in accordance with the principles set out in the Letter of Arrangement between the Governments of Indonesia, as represented by MOEF, and the United Kingdom, as represented by FCDO
 - ii. Steering Committee: Provides overall programme direction and oversight, and is Co-Chaired by the Director-General for Sustainable Production Forest Management in MOEF, and the Head of UKCCU
 - iii. Executing Agency: Provides programme management oversight, and is represented by the Director of Forest Product Processing and Marketing of the Directorate General for Sustainable Production Forest Management
 - iv. Technical Oversight Committee: Provides programme management oversight through quarterly reviews
 - v. Programme Technical Leads: drawn from MOEF and FCDO (on Secondment arrangement), provides operational oversight to the TAF on a day-to-day basis
 - vi. Technical Assistance Facility: operational delivery of the programme through a team of management, technical, communications, and administrative staff
41. Quarterly reports will be approved by the TOC. Annual reports and workplans will be approved by the Steering Committee. All other reports including monthly milestone reports and accompanying invoices, and annual independent audits of accounts, will be approved by the FCDO Seconded Senior Forestry Governance Adviser.
42. The TOC will meet quarterly to review progress and will receive secretarial support from the Supplier. The Supplier is expected to meet monthly with the FCDO Seconded Senior Forestry Adviser to review programme performance.
43. Grants proposals will be approved by the Co-Chairs of the TOC, drawing on inputs as needed from other TOC members. The Supplier will undertake all grant appraisals and provide recommendations to the TOC Co-Chairs.

DUTY OF CARE

44. The Supplier is responsible for the safety and well-being of their Personnel and Third Parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.
45. FCDO will share available information with the Supplier on security status and related developments in-country where appropriate. FCDO will provide the following:
 - i. All Supplier Personnel will be offered a security briefing by the British High Commission/FCDO on arrival. All such Personnel must register with their respective Embassies to ensure that they are included in emergency procedures.
 - ii. A copy of the FCDO visitor notes (and a further copy each time these are updated), which the Supplier may use to brief their Personnel on arrival.



46. The Supplier is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this contract and ensuring that their Personnel register and receive briefing as outlined above. Travel advice is also available on the FCO website and the Supplier must ensure they (and their Personnel) are up-to-date with latest information.
47. The Supplier must develop their proposal on the basis of being fully responsible for Duty of Care in line with the details provided above and the initial risk assessment matrix developed by FCDO (see Annex 3). They must confirm in their bid that they:
 - i. Fully accept responsibility for Security and Duty of Care of all programme Personnel;
 - ii. Understand the potential security risks and have the knowledge and experience to develop an effective risk mitigation plan;
 - iii. Have the capability to manage their Duty of Care responsibilities throughout the life of the programme.
48. Acceptance of Security and Duty of Care responsibility must be supported with evidence of capability and FCDO reserves the right to clarify any aspect of this evidence. In providing evidence the bidders should consider the following questions:
 - i. Have you completed an initial assessment of potential risks that demonstrates your knowledge and understanding of the security environment in Indonesia, and are you satisfied that you understand the risk management implications (not solely relying on information provided by FCDO)?
 - ii. Have you prepared an outline plan that you consider appropriate to manage these risks at this stage (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?
 - iii. Have you ensured or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed and will you ensure that ongoing training is provided where necessary?
 - iv. Have you an appropriate mechanism in place to monitor risk on a live/ongoing basis (or will you put one in place if you are awarded the contract)?
 - v. Have you ensured or will you ensure that your staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an ongoing basis?
 - vi. Have you appropriate systems in place to manage an emergency/incident if one arises?

Delivery Chain Mapping

49. Suppliers will also be able to demonstrate a full and comprehensive approach and methodology for undertaking due diligence and taking on the risk management of all downstream delivery partners. FCDO may request specific audits of the project and all project partners to be undertaken.
50. In advance of any release of funds, suppliers will be required to produce a delivery chain risk map which should, where possible, identify all partners (funding and non-funding e.g. legal/contributions in kind)

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involved in the delivery of a programme. Risk maps should be reviewed and updated periodically, in line with agreed programme monitoring processes and procedures. As a minimum, it should include details of:

- The name of all downstream delivery partners and their functions.
- Funding flows (e.g. amount, type) to each delivery partner

51. High level risks involved in programme delivery, mitigating measures and associated controls

UK Aid Branding

52. Partners that receive funding from FCDO must use the UK aid logo on their development and humanitarian programmes to be transparent and acknowledge that they are funded by UK taxpayers. Partners should also acknowledge funding from the UK government in broader communications but no publicity is to be given to this Contract without the prior written consent of FCDO.

Transparency

53. FCDO has transformed its approach to transparency, reshaping our own working practices and pressuring others across the world to do the same. FCDO requires Suppliers receiving and managing funds, to release open data on how this money is spent, in a common, standard, re-usable format and to require this level of information from immediate sub-contractors, sub-agencies and partners.

54. It is a contractual requirement for all Suppliers to comply with this, and to ensure they have the appropriate tools to enable routine financial reporting, publishing of accurate data and providing evidence of this FCDO – further IATI information is available from; <http://www.aidtransparency.net/>

Digital Principles for Partners and Suppliers

55. FCDO expects all partners and suppliers who manage aid programmes with a digital element to adhere to the global [Principles for Digital Development](#). If any proposal contains a digital element this must be costed separately within the proformas and are subject to approval by FCDO's digital team. In accordance with the Principles for Digital Development we expect suppliers to generate data through open standards, open data, open source technologies and open innovation. Any deviation from this is subject to approval by FCDO's digital team.

Ethical Principles

56. It is a requirement that all partners FCDO commission and fund comply with the Ethics Principles. Partners will be required to include consideration of ethical issues and a statement that they will comply with the ethics principles.

Do No Harm

57. FCDO requires assurances regarding protection from violence, exploitation and abuse through involvement, directly or indirectly, with FCDO suppliers and programmes. This includes sexual exploitation and abuse, but should also be understood as all forms of physical or emotional violence or abuse and financial exploitation.

- The programme is targeting a highly sensitive area of work. The Supplier must demonstrate a sound understanding of the ethics in working in this area and applying these principles throughout the lifetime of the



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programme to avoid doing harm to beneficiaries. In particular, the design of interventions including research and programme evaluations should recognise and mitigate the risk of negative consequence for women, children and other vulnerable groups. The supplier will be required to include a statement that they have duty of care to informants, other programme stakeholders and their own staff, and that they will comply with the ethics principles in all programme activities. Their adherence to this duty of care, including reporting and addressing incidences, should be included in both regular and annual reporting to FCDO;

- A commitment to the ethical design and delivery of evaluations including the duty of care to informants, other programme stakeholders and their own staff must be demonstrated.
- FCDO does not envisage the necessity to conduct any environmental impact assessment for the implementation of the Issue based programme. However, it is important to adhere to principles of “Do No Harm” to the environment.

General Data Protection Regulations (GDPR)

58. Please refer to the details of the GDPR relationship status and personal data (where applicable) for this project as detailed in App A and the standard clause 33 in section 2 of the contract.

**ANNEX 1: FURTHER BACKGROUND ON THE MULTI-STAKEHOLDER FORESTRY PROGRAMME**

The UK's Multi-stakeholder Forestry Programme has been in operation in Indonesia since the early 2000s. Operating over 3 consecutive phases, MFP has supported Indonesia to transform forestry governance in the timber sector leading to major reductions in illegal logging. Central to MFP's activities has been the Voluntary Partnership Agreement (VPA) on Forest Law Enforcement, Governance and Trade (FLEGT) between the Government of Indonesia and the European Union. MFP first helped to negotiate and then to implement and operationalise the VPA.

A key element of the VPA is Indonesia's timber legality verification system, or *Sistem Verifikasi Legalitas Kayu* (SVLK). MFP helped Indonesia to design and operationalise SVLK, allowing Indonesia's timber sector to demonstrate compliance with the requirements of the EU Timber Regulations (EUTR), and resulting in Indonesia becoming the first country in the world to issue FLEGT licences. This allows Indonesian wood products to enter EU markets without the need for importers to conduct due diligence checks, facilitating trade between Indonesia and EU member states. By implementing governance reforms in the forest sector through SVLK and FLEGT, Indonesia secured preferential market access for wood products and significantly reduced illegal logging.

Recognising that forest governance is significantly strengthened through clear tenure rights for forest communities, MFP phase 3 undertook complementary activities to improve access to forests and to strengthen community forest businesses. These efforts not only help to further reduce the risk of forest loss and degradation, they help to meet demands for raw timber and other non-timber forest commodities, and generate valuable incomes for rural households.

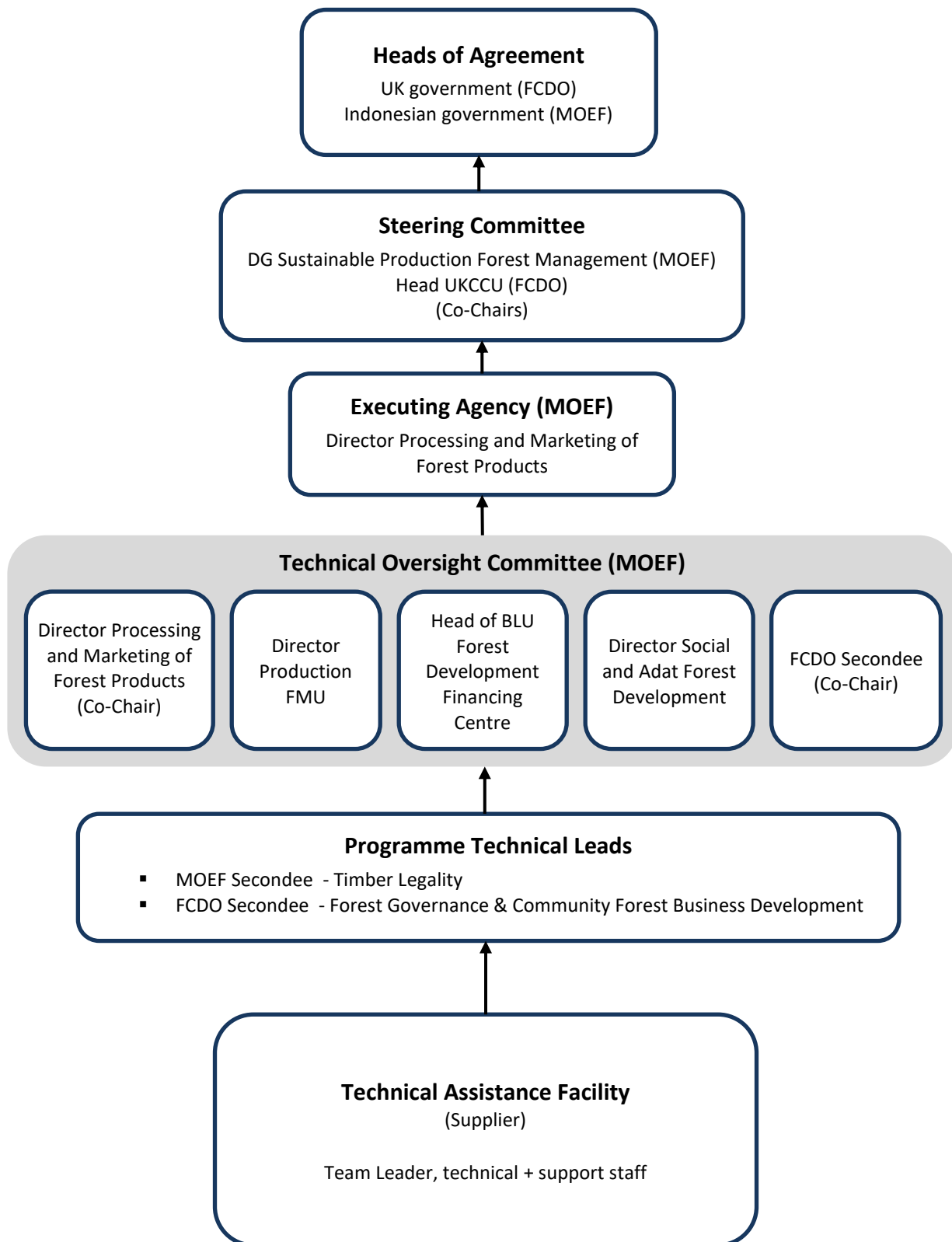
MFP phase 3 provided support to community forestry through a subset of the *Kasawan Pengelolaan Hutan* (KPH) or Forest Management Unit (FMU) network. FMUs are divided into production, conservation and protection FMUs. They are administered and financed by provincial governments, as well as central government, and directed in part by national forest policy set by MOEF. The majority of FMUs are focussed on production forest and have a business development function, but they mostly lack the necessary capacity to support communities to initiate and grow forest-based businesses.

More information:

- VPA and FLEGT: www.flegt.org
- FCDO funded MFP phase 3: www.mfp.or.id
- Relevant MFP3 documents: <http://www.mfp.or.id/index.php/en/publications/document>
- FCDO funded Forest Governance, Markets and Climate Programme: <https://devtracker.fcdo.gov.uk/projects/GB-1-201724>
- EU-Indonesia VPA: <http://www.euflegt.efi.int/indonesia>



ANNEX 2: MFP4 PROPOSED PROGRAMME GOVERNANCE





ANNEX 3: FCDO RISK ASSESSMENT FOR INDONESIA

FCDO Overall Project/Intervention Summary Risk Assessment Matrix

Project/intervention title: Multi-stakeholder Forestry Programme 4

Location: Indonesia

Date of Assessment: 25 July 2017

Assessing Official: (REDACTED) Programme Manager, FCDO Indonesia

Theme	FCDO Risk Score
OVERALL RATING*	3
FCO travel advice	2
Host nation travel advice	N/A
Transportation	2
Security	3
Civil Unrest	3
Violence/crime	3
Terrorism	3
War	1
Hurricane	1
Earthquake	3
Flood	2
Medical Services	2
Nature of Project/Intervention	3

1	2	3	4	5
Very Low Risk	Low Risk	Med Risk	High Risk	Very High Risk
Low		Medium	High Risk	

* The Overall Risk rating is calculated using the MODE function which determines the most frequently occurring value.



Appendix A – GDPR General Data Protection Regulations

Appendix A of Section 3 Schedule of Processing, Personal Data and Data Subjects

This schedule must be completed by the Parties in collaboration with each-other before the processing of Personal Data under the Contract.

Description	Details
Identity of the Controller and Processor for each Category of Data Subject	<p>The Parties acknowledge that for the purposes of the Data Protection Legislation, the following status will apply to personal data under this contract:</p> <p>The Parties acknowledge that Clause 33.2 and 33.4 (Section 2 of the contract) shall not apply for the purposes of the Data Protection Legislation as the Parties are independent Controllers in accordance with Clause 33.3 in respect of Personal Data necessary for the administration and/or fulfilment of this contract.</p>